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NATIONAL ECONOMIC POLICY

MARX'S THEORY OF LABOR VALUE DEFENDED

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 7, 20 Jul 79 pp 68-73

[Article by Chen Zhenyu [7115 2182 5038]: "Marx's Great Change of the Theory of Labor Value"]

[Text] Smith and Ricardo, two major representatives of the classical political economy of the bourgeoisie, lived in an age in which the class struggle between the bourgeoisie and the proletariat had not been fully unfolded. Therefore, they could carry out, to a certain extent, the scientific research on the theory of labor value within the scope of the interest of the industrial bourgeoisie. The most important contribution which they made to the history of political economy is the laying of the foundation for the theory of labor value. This is what both Marx and Engels approved of. In Ricardo's view, the value of a commodity is determined by the amount of labor that is necessary for its production and not by the payment, high or low, for this labor. Marx and Engels held that this is an "epoch-making discovery" of "great merit." Handicapped by the bourgeois standpoint and world outlook as well as by the level of the development of production at that time, the theory labor value of Smith and Ricardo embodies major defects, for they fail to establish an altogether scientific theory of labor value. Only Marx, who represents the most progressive proletariat in the history of human society, succeeds in creating an altogether scientific theory of labor value that conforms to the needs of the proletarian revolution. Marx's creation is based on inheriting in a critical manner the scientific achievements of Smith and Ricardo in the theory of labor value.

Since the theory of labor value occupies an extremely important position in Marx's political economy, it is the basis as well as the point of departure for understanding the structure of the capitalist economy. Thus, since the publication of "Critique of Political Economy" and "Capital," two great works which signify the completion of Marx's theory of labor value, vulgar bourgeois economists have continuously waged all kinds of attacks against Marx's theory of labor value. They wantonly vilify Marx's contribution to the establishment of an altogether scientific theory of labor value and treat Marx's theory of labor value as Ricardo's theory of cost. Modern vulgar bourgeois economists even advocate the substitution of Marx's theory

of labor value with Smith's cost of production theory. These fallacies not only obliterate the distinction between the scientific elements and the vulgar elements in the theory of labor value of Smith and Ricardo, but also deny the great change which Marx makes on the theory of labor value of Smith and Ricardo. Today, when we probe into the issue to find out where and how Marx brings great changes to the theory of labor value of Smith and Ricardo, we are aiming at studying and safeguarding in a better manner Marx's theory of labor value.

I

The failure of Smith and Ricardo to establish an altogether scientific theory of labor value is primarily manifested in their failure to discover the two-fold character of labor in commodity production. They lack the scientific basis of philosophy and believe that the capitalist method of production and its economic category are determined by mankind's eternal rationale. Thus, they regard capitalism as an eternal mode of production and regard commodity production as eternal too. They are not aware of the conditions under which products will be converted into commodities, are not aware of the characteristic of the difference between commodities and products and are not aware of the distinction between labor in commodity production and labor in product production. They regard the value formed through labor in commodity production as a natural event. Thus, in analyzing the labor in commodity production, they do not discover the twofold character of labor. Although they have in fact touched on this question that labor manifests itself in both use value and exchange value, yet they do not know why they should carry out abstraction of labor and what they can rely on to do so. Thus, they are unable to clearly and consciously distinguish between the two aspects of labor, which are the creation through labor of the use value of a commodity on the one hand and the creation through labor of the value of a commodity on the other. Rather, they confuse the two. Marx points out: "Without exception, the economists have missed the simple point that if the commodity has a double character--use value and exchange value--then the labor represented in the commodity must also have a double character, while the mere bald analysis of labor, as in Smith, Ricardo, etc., is bound to come up everywhere against the inexplicable."¹

Smith and Ricardo fail to establish the theory of the twofold character of labor. This is the major defect in their theory of labor value. Not understanding the twofold character of labor, they are unable to scientifically explain what value is and why and how labor forms value.

The most important point in the great change which Marx brings to the theory of labor value is the discovery of the twofold character of value in commodity production. The reason why Marx is able to discover the twofold character of labor is because he builds political economy on the basis of the materialist conception of history. Marx utilizes the dialectical

materialist theory in observing the human society, reveals the laws of development of the human society and proves that the capitalist society is only a specific historical stage in the development of the human society. Marx studies the characteristics of the capitalist mode of production and proves that commodity is product in a particular historical form, that it is not eternal and that a product only becomes a commodity with the appearance of such conditions as social division of labor and the system of private ownership. Marx studies the characteristics of the difference between commodity production and product production and for the first time reveals the basic contradiction in simple commodity production, thereby discovering the twofold character of labor in commodity production. Under the condition of the system of public ownership of the means of production, the individual labor of a producer is direct social labor, and the contradiction between individual labor and social labor does not exist. For instance, in a primitive commune, individual labor is not private labor, but is rather a manifestation of the function of a member in the social organism. Individual labor is direct social labor; it is not converted into social labor only through the exchange of products, as commodities, produced through individual labor. Conversely, under the condition of the system of private ownership, the labor of a commodity producer is not direct social labor but embodies the contradiction between private labor and social labor. The basic contradiction in commodity production determines the condition that the labor in commodity production embraces the twofold character of concrete labor and abstract labor. Marx says: Until the process of exchange has become so widespread and so important that useful things are produced expressly for exchange "so that the value of things has to be taken into account in the very act of production. Thenceforward the labor of private producers does really acquire a twofold social character. On the one hand such labor must, as definitely useful labor, satisfy a definite social demand,...On the other hand such labor can only satisfy the manifold wants of the producers who perform it, insofar as each particular kind of individual or private useful labor is exchangeable for every other particular kind, because each ranks equally with the others. Such an equalization of utterly different kinds of labor can only be achieved by ignoring their actual unlikeness, by reducing them to terms of that which they all share as expenditures of human labor power--abstract human labor."²

The discovery of the twofold character of labor is the most important fruit of scientific research in the change which Marx brings to the theory of labor value of Smith and Ricardo. Only through this discovery can an altogether scientific and neat theory of labor value and Marx's scientific and theoretical system of political economy be established. Marx points out: "I was the first to point out and discuss this twofold character of the labor embodied in commodities. It is upon this that the understanding of political economy turns."³

II

The great change which Marx brings to the theory of labor value is also manifested in Marx's thorough explanation of such questions as what value

is and how qualitatively-different kinds of labor and materialized labor create value.

Smith and Ricardo do not understand why the labor in commodity production is broken down into two folds and do not understand why and how labor creates value. Thus they are unable to scientifically explain what value is. Although they regard the value of a commodity as determined the amount of labor, and although Ricardo even insists all along on letting labor determine the value of a commodity, yet they are unable to explain why labor determines value and why value is the material manifestation of the inter-relationship of the various forms of human labor.

Marx studies the reason why the labor in commodity production is broken down into twofold labor and establishes the theory of the twofold character of labor. From this, he is able to explain how value is determined by abstract labor. Marx holds that the characteristic of the production of commodity value through labor is a relation of production among men manifested through a relation among things. Thus, value is a relation of production between commodity producers hidden by a material veil. Lenin points out: "Only by looking at the social relations of production of a certain social pattern in history and by looking at the system of relations manifested in the large-scale exchanges for over a hundred million times can we understand what value is."⁴

Smith is unable to solve the problem of how qualitatively-different kinds of labor (that is, compound labor and simple labor) forms value. He holds that, since it is very difficult to find the accurate scale for comparing the different kinds of labor, one has to go through the price negotiation on the market in order to make readjustment that will guarantee that on the whole losses will not be incurred on both sides. Ricardo also attempts to solve this difficult problem. But because he does not have the theory of the twofold character of labor in mind and does not analyze the commodities requiring special labor power, he also is unable to solve the problem of how qualitatively-different kinds of labor forms commodity value.

Because Marx regards the substance of value as abstract labor, he can, on the basis of this principle, solve what Ricardo is unable to solve--the problem of how qualitatively-different kinds of labor form value. Because what determines the value of a commodity is abstract simple labor, it is necessary to leave aside the useful quality of the various types of labor and reduce them to abstract labor and to labor of the same quality. However, there is still a quantitative difference between them, which is a difference between compound labor and simple labor. It is necessary to reduce compound labor to simple labor. Compound labor and simple labor are labor of the same quality. So, compound labor can be reduced to simple labor. Compound labor is the multiplied form of simple labor.

Marx establishes the scientific theory of wages. Marx holds that what Ricardo says about the ratio between compound labor and simple labor is, in the final

analysis, a question of the difference in the values of labor power. Marx corrects Ricardo's error of confusing labor power with labor and explains how only labor power has value while labor does not have value but is nevertheless the source of all values. Marx points out that the labor that is higher and more complicated than the average labor in society is the use of labor power that requires higher educational expenses than common labor power. The use of this labor power of higher value is manifested in the form of higher labor and, in the same period of labor time, can materialize into more value. Thus, in the formation of commodity value, the compound labor in one day can be converted into the simple labor in X number of days.

Because Smith and Ricardo do not understand the twofold character of labor, they cannot explain the questions of how old values are transformed and how new values are created in the process of the formation of commodity value. Smith does not know how to distinguish between the transformed values of the means of production and the newly-created values contained in the products, confuses the value of a product with the new value created through labor and reaches a "Smithian doctrine," which is the decomposition of commodity value into income. He forgets the portion of the value of constant capital. Ricardo classifies the amount of labor contained in a product into direct labor and indirect labor, meaning the labor that directly involves the process of commodity production and the labor that involves the realizing of all instruments and machines needed in that labor. He even holds that only direct labor creates new values, while indirect labor cannot create values since its values will only be transferred to the products. Because Ricardo does not have the theory of the twofold character of labor in mind, he does not know how old values are transformed and new values created. So he cannot shake himself loose from the error of the "Smithian doctrine."

On the basis of the principle of the twofold character of labor, Marx explains how old values are transformed and new values created. In the labor time in producing a commodity, the abstract labor of a laborer adds new values onto the object of labor; at the same time, his concrete labor transfers the value of the means of production over to the product. Thus, Marx can clearly point out that the values of all commodities not only include newly-created values but also include transferred values. The values of commodities are not only decomposed into incomes but also include the portion of constant capital. Marx overthrows the "Smithian doctrine" and establishes the scientific theory of the reproduction of social capital.

Although Smith and Ricardo pay attention to studying the question of the magnitude of value of a commodity, yet, because they neglect the study of the substance of value, their explanation of the socially necessary labor time which determines the magnitude of value is still seriously defective. They advance the idea that the magnitude of value is not determined by the labor time of individual commodity producers but by necessary labor time. Smith holds that the magnitude of value is determined by the labor time expended in the relatively better enterprises. Ricardo, on the other hand, holds that the exchange value of a commodity is determined by the relatively

greater amount of necessary labor of those people who carry out production under the least favorable conditions. In fact, both of them regard the values of commodities as determined by the amount of socially necessary labor. However, because they fail to carry out study on the substance of value, they cannot explain why the magnitude of value, big or small, is determined by socially necessary labor time and not by individual labor time.

Marx studies the substance of value and is therefore able to scientifically explain what Smith and Ricardo are unable to solve--the question of the determination of the magnitude of value. The substance of commodity value is abstract human labor. Abstract human labor is the expenditure of the same human labor power. The society's entire labor power that is manifested in the total value of the world of commodities is formed from individual labor power. Every labor power is treated as the same average labor power. Thus, the expenditure of labor power in commodity production cannot be individual labor time but can only be an average necessary labor time. The socially necessary labor time that determines the magnitude of value of a commodity should not be the labor time expended in the enterprise with the best production conditions nor the labor time expended in an enterprise with the worse production conditions. It should be that the "socially necessary labor time is the labor time requisite for producing a use value under the extent social and average conditions of production, and with the average degree of skill and intensity of labor."⁵

III

The great change which Marx brings to the theory of labor value is also manifested in the revelation of the internal relation between value and exchange value, which in turn brings about the establishment of the scientific theory of money.

Smith confuses value with exchange value. Ricardo, on the other hand, has already to a certain extent distinguished value from exchange value. He fixes the value or actual value of a commodity in terms of the amount of labor requisite for the manufacture of that commodity and regards exchange value or relative value as the expression of the amount of labor contained in that commodity in relation to the use values of other commodities. But he does not strictly distinguish between value and exchange value, and often forgets "real value" or "absolute value" and persists in exchange value. Because they do not understand the essence of value, Smith and Ricardo do not, in their analysis of commodities and especially in their analysis of the values of commodities, discover the internal relation between value and exchange value. From their point of view, money is immaterial to the value of a commodity and is not an inherent quality of commodity. Marx points out that it is because Ricardo regards the fixing of the magnitude of value as "a decisive task. Thus, he does not understand the characteristic form by which labor becomes a key element of value. Furthermore, he does not understand that individual labor manifests itself as an abstract universal labor and with this form manifests itself as the inevitable form of social [in italics]labor. Thus, he does not understand the relation of the formation of money with the essence of value and with the law of how value is determined by labor time."⁶

In terms of the principle of the twofold character of labor, Marx explains how labor becomes value and what value is. He is able therefore to reveal for the first time the internal relation between value and exchange value and distinguish one from the other. What determines the value of a commodity is abstract labor, which is social labor. But, due to the contradiction between private labor and social labor and the contradiction in the twofold character of labor, the value of a commodity is not directly measured by labor time, but is manifested in the exchange value of the commodity.

Marx also studies the process of the emergence of money and reveals the internal relation between commodity and money. Marx explains the process of the development from the simple value form to the expanded value form and to the money form of a commodity. In particular, he dissects and analyzes in detail the simple value form behind which hide all the secrets of the money form which bourgeois economists, including Smith and Ricardo, have ignored. Marx points out that money is a product in the exchange process. With the expansion and deepening of exchange, the internal contradiction between the use value and value of a commodity also develops. Because it is necessary to manifest internally the internal contradiction of commodities, thus, money is separated from commodities. Marx reveals the essence of money. Money is the concluding form of value, is a special commodity standing for the universal equivalent and is a suitable form of being of exchange value. Through explaining the emergence of money and revealing the essence of money, Marx corrects the error of Smith and Ricardo in regarding money as a thing existing apart from commodity itself, and reveals the internal relation between commodity and money. Marx holds that, in pointing out the internal relation between commodity and money, he expresses the distinction between his theory of labor value and Ricardo's theory of labor value. For 2000 years, mankind has striven hard to explore the value form with the money form as its concluding form, but has not obtained any result. Only Marx has for the first time completed the analysis of the value form and established the scientific theory of money. Engels points out that Marx "then analyzed the relation of commodities to money and demonstrated how, and why, thanks to the imminent character of value, commodities and the exchange of commodities must produce the opposition of money and commodities. His theory of money, founded on this basis, is the first exhaustive treatment of this subject, and it is tacitly accepted everywhere."⁷

IV

The great change which Marx brings to the theory of labor value is also manifested in the scientific solution to the two difficult problems that lead to the disintegration of the Ricardian school as well as other problems arousing controversy which Smith and Ricardo fail to solve.

Not only do Smith and Ricardo fail to establish the theory of labor value on the scientific basis of the twofold character of labor, but because they are handicapped by the existing economic category, they are unable to establish a scientific system of economic category. Consequently, their

theory of labor value presents problems which incur censure from the bourgeois vulgar economists. Among them are two difficult problems which lead to the disintegration of the Ricardian school: One difficult problem is how to explain the exchange between capital and labor in terms of the law of the value; and the other difficult problem is how to solve the contradiction between the law of value and equal profit for equal capital.

Because they confuse labor power with labor and because they regard the exchange between capital and labor power as the exchange between capital and labor, Smith and Ricardo therefore bring about the contradiction between the law of value and the exchange between capital and labor. In contrast to Smith and Ricardo, Marx does not look at capital as an eternal category, but looks at it as a historical category belonging to a special social pattern. Thus, Marx conducts an exhaustive study on how capital emerges and the condition under which money is transformed into capital. For the first time in the history of political economy, Marx conducts a scientific analysis of commodities through labor power and discovers that the use of labor power means labor is the source of all values. Thus, only labor power has value, while labor itself does not have value. In this way, he strictly distinguishes labor power from labor. The exchange is a mutual exchange between capital and labor power and not between capital and labor.

The reason Marx is able to regard capital as an exchange on a mutual basis with labor power and not with labor is because Marx has established a scientific economic category. From Marx's viewpoint, the economic category is a theoretical expression of the relation of production. As for economic category, what Marx studies is not things but a relation of production between men in integration with things. Lenin points out: "Where the bourgeois economists saw a relation between things (the exchange of one commodity for another) Marx revealed a relation between people."⁸ Through studying the value of commodities and the essence of money, Marx further reveals the essence of capital. Capital is not a thing but a specially-designated social relation. By treating capital as a social relation of production, it will not be difficult to see that it is labor power and not labor that is used as a commodity in exchange for capital. In contrast to Marx, Ricardo regards economic category as the embodiment of the relation between things. He regards primitive hunters as capitalists and regards the tools which they use as capital. He regards capital as a thing, as accumulated labor and as a key material element in the production process. In this way, he regards the exchange between capital and labor power as an exchange between "accumulated labor" and "direct labor," which is an exchange between capital and labor. Marx points out: "From Ricardo's viewpoint, capital is merely 'accumulated labor' which is different from 'direct labor.' It is merely treated as a purely material thing and it is purely a key element in the labor process. And from this labor process it is definitely impossible to bring out the relation of labor to capital, wages and profit."⁹

Marx corrects the error of Smith and Ricardo in confusing labor power with labor and points out that it is not an exchange between capital and labor

but between capital and labor power. In this way, he scientifically and satisfactorily solves the so-called contradiction between the law of value and the exchange between capital and labor. Marx demonstrates that the exchange between capital and commodity through labor power is conducted according to the law of value. The capitalist can obtain surplus value under the condition of not undermining the law of value. This is because the use of labor power means that the labor of the workers inside the capitalist's factory can create new values and can enable the newly-created values to equal the values of the labor power itself. Such an increase is surplus value. Engels points out that "by substituting labor power, as a value-producing quality, for labor, Marx solved with one stroke one of the difficulties which caused the downfall of the Ricardian school, viz.: the impossibility of harmonizing the mutual exchange of capital and labor with the Ricardian law of determining value by labor."¹⁰

Smith and Ricardo both confuse value with the price of production. When he begins to discuss the values of commodities in his "Political Economy and the Principle of Taxes," Ricardo takes the existence of the rate of average profit as his prerequisite. Thus, the values of commodities which he discusses are actually the prices of production. This results in another contradiction in his theory of labor value which he cannot solve. He discovers that, under the condition when the composition of capital is different and when the turnover of capital is different, because one aims at obtaining equal profit with equal capital, the rise and fall of wages will cause fluctuations in the values of commodities. Nevertheless, according to the theory of labor value which he persists in, the rise and fall of wages will not cause fluctuations in the values of commodities. Here, he recognizes the contradiction between the law of value and equal capital for equal profit. Thus, he proposes the necessity to revise the theory of labor value.

The theory of the price of production which Marx establishes solves the above difficult problem. Marx reveals the process of the historical development from value to price of production. The exchange of commodities according to value or price of production belongs separately to different periods of the development of commodity production. After the disintegration of the primitive society, whether it is a small-scale production economy based on individual labor or an economy under the slave-owning system or the feudal economy, the exchange of commodities is carried out according to the law of labor value. Only when capitalism develops to a certain stage will exchange of commodities be carried out according to the price of production. Marx explains the series of intermediate links by which value is transformed into price of production and corrects Ricardo's error of equating value with price of production. From the principle of the twofold character of labor, Marx reveals the secret of surplus value and distinguishes surplus value from its transformed mode. In this way, he corrects the error of all the bourgeois economists, including Smith and Ricardo, in confusing surplus value with its transformed mode--profit. In distinguishing surplus value from profit, he provides an extremely important premise for the

distinction between value and the price of production. Marx explains how the different rates of profit which the capitalists obtain can be harmonized into average profit. Once the rate of average profit is formed, value is transformed into price of production. The price of production is simply the transformed mode of value. This scientifically solves the difficult problem of the contradiction between the law of value and equal capital for equal profit in Ricardo's theory of labor value.

FOOTNOTES

¹"Marx to Engels, 8 January 1868," "Marx and Engels--Correspondences," "Life, Study and New Knowledge" Sanlian Bookstore, 1958, Vol 4, p 7.

²Marx, "Des Kapital," Vol 1, People's Publishing House, 1975, (the following quotations are from the same edition), p 90.

³Marx, "Des Kapital," Vol 1, p 55.

⁴Lenin, "Karl Marx," "Collected Works of Lenin," Vol 21, p 42.

⁵Marx, "Des Kapital," Vol 1, p 52.

⁶Marx, "The Theory of Surplus Value," Vol 3, p 148.

⁷Engels, "Preface to Vol 2 of 'Des Kapital,'" "Des Kapital," Vol 2, p 22.

⁸Lenin, "The Three Sources and Three Component Parts of Marxism," Selected Works of Lenin," Vol 2, p 444.

⁹Marx, "The Theory of Surplus Value," Vol 2, pp 455-456.

¹⁰Engels, "Preface to Vol 2 of 'Des Kapital,'" "Des Kapital," Vol 2, p 22.

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NATIONAL ECONOMIC POLICY

VIEWS ON PROBLEM OF EMPLOYMENT IN CITIES AIRED

Beijing BEIJING RIBAO in Chinese 18 Jul 79 pp 1, 4

[Talks by Xue Muqiao [5641 2550 2890], adviser to the State Planning Commission and director of the Institute of Economics under the Commission: "My Views on the Problem of Urban Employment"]

[Text] Recently, the authorities in Beijing and many provinces, municipalities and autonomous regions have been studying and taking steps to solve the problem of employment in cities and towns. For this reason, our staff reporter paid a visit to Xue Muqiao, adviser to the State Planning Commission and director of the Institute of Economics under the Commission, and asked him to talk about the problem of urban employment. The following is an abridged record of his talks:

Ours is a big country of 970 million people. With a large population and limited means, it is an extremely arduous work to resolve employment. Due to various reasons, mainly the slow development of production, this year the number of working people awaiting assignments exceeds 7 million. Before this problem can be solved, the stability and solidarity of our country will be greatly affected.

This year, some places tried to solve the problem of employment. One of the methods used was to call upon workers not having reached the age of retirement to retire ahead of time, with a promise to employ their children in replacement. As a result, many skilled old workers retired and a number of unskilled youths took their places. Among these young people, many were studying in their schools, some were working in the villages, only a few were truly urban unemployed youths. Many retired veteran workers were again recruited by other units. The number of workers increased, but the number of unemployed showed no marked decrease.

In the past, the control on wages was too strict, and the employment of workers was subjected to the unified assignment by the labor departments. All enterprises had no right of their own to employ people, and the workers had no right to choose their jobs. Before this problem can be solved, "from each according to his ability" will become empty talk. What is even more

serious is that the state must strictly control the total number of new workers to be employed, but the number of unemployed youths is many times greater than the national target of recruitment. As the state is not in a position to give every unemployed youth an "iron rice-bowl," nor to permit them to organize themselves as collectives to undertake work required urgently by the society, the number of unemployed people is increasingly growing.

It is not that our country has no experience in solving problems of unemployment. Just after the liberation, there were about 4 million people without jobs in the cities, the number was almost equal to the number of workers in government and private enterprises at that time. We adopted the following two methods: one was "working for self-salvation" by asking them to look for work by themselves, and the government would help them solve difficulties in their work; the other was "giving them work instead of relief" by operating some government projects with low wages. Within a period of less than 2 years, this problem was solved fundamentally. During the period of the First Five-Year Plan, we were actually still threatened by unemployment. The solution was "making five people work for jobs of three people" by employing more people with lower wages. The result was that industrial labor productivity was low, and the efficiency of office workers was even lower. Now is the time for reformation.

In the early period of the 1950's, unemployed people could look for jobs by themselves. After all lines of trade were brought into state-private combined operation, especially after the state-private run commercial enterprises (at first many of them were responsible for their own profit and loss) were promoted to be state-run commerce, and handicraft cooperatives were promoted to be cooperative factories, all workers came under the control of labor departments, for unified assignment of work. Formerly, the handcraftsmen and the small merchants had wide fields of operation, and produced and handled goods of many varieties. Now, their fields of operation were greatly reduced, and the variety of their products was limited. Many local products of special taste disappeared from the market. In the past, at the Dongan Market in Beijing, there were many shops and stores, each carrying its own specialized line. Now, it is called Dongfeng Market under unified management, and becomes another emporium without any specialized lines. At the first session of the party's 8th congress in 1956, Comrade Chen Yun [7115 0061] said in his speech that it was not necessary to combine too many state-private run stores and cooperatives in order to keep the variety of products and the flexibility of operation.

However, after 1958, all the state-private run stores and handicraft cooperatives, which were responsible for their own profit and loss, were almost entirely wiped out. There was a shortage of local special products over a long period of time, nobody produced them, nobody did this business, and service trades were greatly reduced. On the one hand, a great deal of work urgently wanted by the society had nobody to do it; on the other hand, a large number of workers could not find suitable jobs. Not that there was no work to do, but that they must wait for unified assignments from the government. Moreover, vacancies in the enterprises of whole people's ownership in the cities were limited. In this way, the number of unemployed youths was increasingly growing.

Recently, at the second session of the 5th National People's Congress, Comrade Hua Guofeng [5478 0948 6912] said in his report on government work that it was necessary to spend 3 years to carry out the readjustment, reform, rectification and improvement of the national economy. He also put forward 10 propositions for the development of national economy, among which the 9th one mentioned that employment was a current outstanding problem. It should be grasped as an important problem at present. Before this problem could be solved, not only a great deal of labor power would be wasted, but also our national stability and solidarity would be affected. Besides, if at present we are not determined to find means of solving this problem, in the future our burden will become increasingly heavier. (At present, the labor productivity of our large factories is 5 to 10 times lower than that of the developed capitalist countries.) In the course of the modernization of our national economy, we must raise the labor productivity of our workers, and the labor power of existing enterprises will surely become over abundant. At present, many offices have become overgrown in size, with too many people for their work; it will be necessary to simplify their structure, and enhance the efficiency of work. There are 300 million people working in agriculture. With the mechanization of agriculture, only tens of millions of people will be required, the others must either march into the depth and breadth of production, or look for other ways out. We must foresee these problems, and make our plans beforehand. At present, our cities cannot feed so many people, the peasants have their own difficulties in living, and the rural villages can accommodate only a limited number of people. The fundamental way of solving the problem of unemployment is still to develop production and open more channels of employment. To do so, an important point is to change the system of labor control.

At present, all unemployed youths are subjected to the unified assignment of work by the labor departments. There is no way to maintain this system any longer. When the government gives everyone an "iron rice-bowl," not only are there not enough "bowls" but also when people have received their "iron rice-bowls," they will stay put and ask for promotion as a matter of course. In the course of modernization, there will be contradictions between raising labor productivity and arranging employment. All enterprises must enforce economic accounting and lay off a number of surplus and unqualified workers to be sent to the labor departments for further disposal. To make arrangements for unemployed youths, the labor departments have asked these enterprises to take over the children of their own workers and staff members. Both sides have difficulties. To solve its own difficulty, one side pushes the difficulty to the other side. For the realization of the four modernizations, the enterprises are taking the rational action, but the labor departments made an unreasonable request, and must try to find other methods. There is only one way; that is, don't take the responsibility if it is not possible to do so, but permit the unemployed youths to organize certain forms of production by themselves. We should not only refrain from placing them under a ban but also give them assistance, organize them and take the lead. At present, there are countless opportunities in the cities, the question is whether or not they are permitted to look for them by themselves. A responsible comrade

of the Beijing Municipal Party Committee told me that in Beijing municipality there are more so-called "loopholes of capitalism" than the authorities can stop, and it is very easy for the peasants to make 2 or 3 dollars a day by doing some odd jobs in the city. In the past, the municipal committee forced these peasants, who were taken as "capitalist roaders," to return home; but, many offices, factories and commercial stores again called them back. Of course, it is necessary to restrict the peasants coming into the city. However, can we open these "loopholes" to the unemployed youths in the city?

Some comrades said that only peasants are willing to take advantage of these "loopholes," the urban unemployed youths are not willing to do these jobs. We assigned them jobs in the service trades, but they refused to accept them. This was the result of "forcing a crow to build its nest." If educated youths of special training were told to work in the service trades not related to their learning, naturally some of them would be unwilling to accept the assignment. I was told that a certain service trade was recruiting scores of workers, and the number of applicants exceeded the quota by several times. Should there be "freedom of love," instead of "parental command and the match-maker's nice words," naturally the problem could be solved easily. By doing so, any enterprise recruiting workers can pick out the best qualified ones, and the young people applying for jobs can get what they want. In the past, both sides were not allowed to make their free choice. The enterprises could not get people they wanted, and were forced to accept those they did not want. The unemployed youths were not allowed to do what they wished to do, and were compelled to do what they did not want to do. How can this kind of labor system be further maintained?

The labor departments must control the total amount of workers' wages, and cannot look for means only in the state-run enterprises and government offices. When the workers are appointed by the labor departments, they become workers of the state and get their "iron rice-bowls." They cannot be dismissed because of poor performance. If the unemployed people were allowed to take care of themselves, organize themselves into cooperatives or working groups, and take their own responsibility for profit and loss, not only would the state not need to give them wages, but the workers would also show greater enthusiasm, do better service, each take up jobs for several persons and earn wages no less than that of a third or fourth grade worker. How can there be any reason to prohibit such a practice? Not only can it solve the problem of unemployment for a large number of people, but also it will be of great benefit to the life of the urban population. Indeed, it gains two advantages from one move.

In the cities, there are countless jobs for people to do. For instance, in the transportation business, the government cannot even handle successfully the long distance transportation, and certainly will not be able to look after short distance transportation in the city. At present, we rely on the peasants to drive their tractors into the city and handle transportation. It is very inconvenient. If the government sets up a transportation company, it will again become an "iron rice-bowl." Seeking their service would be as

difficult as dealing with bureaucracy. Before the liberation, there were the Xiangsheng Taxi Company and also house removing companies, which gave very good services, and the residents found them very helpful. In Bienjing, it was still possible to find a hand-cart for house removal in 1950's. At present, no hand-cart can be found. In the past, at railway stations and the airport, there were people to carry your baggage, but none at present. A princess from a foreign country was willing to pay 10 US dollars to get one piece of baggage carried, but nobody came forward. She had traveled all over the world and for the first time carried her suitcase by herself. I may also mention that in the past there were people selling local products at all railway stations, such as those selling cooked chickens at Dezhou and Puliji, fried pork with bones at Wuxi and pig's feet in bean paste at Fengjing. A few years ago, they were all wiped out. Now, some have reappeared, but still too few. Before the liberation, peddlers selling products at railway stations had to get a license by paying 1 dollar per day. Not only did the peddlers make big money, the railway stations also earned no less. The passengers could not only save the trouble of crowding into the dining car but could also buy special produce of various places as gifts for their relatives and friends. Indeed, there were many advantages. Why can't we carry on this good practice?

There is also tension in the urban construction business. Can't we allow the unemployed to organize themselves into collectives for the work of construction? I was told that recently some retired construction workers in Beijing have organized themselves into a construction team, and have done work of good quality within a much shorter period of time. They are very popular. But, the authorities gave the order to stop them, because they have received their pension. However, they cannot be put out of business, as many government offices, factories and schools are seeking their services urgently. Shouldn't these veteran workers be permitted to train a number of young people and together organize a legal construction team, in order to solve difficulties of house construction and repair? Here, I must mention another problem. At present, it is so difficult for the sick to get treatment, patients wish to go to see old doctors in retirement. However, the government has made the rule that old doctors in retirement are not allowed to receive patients or write out any prescriptions, because they have got their pension. As we all know, many old doctors in retirement are much better than the interns in big hospitals. Why should they be compelled to sit idle?

The shortage of restaurants, repair workers and service trades is common knowledge. It makes the working people waste so much of their valuable time. Recently, Beijing municipality is going to set up more restaurants, and also asks some big restaurants to offer night snack service. However, there are more service personnel than customers at the night snack sections. Why? It is because the residents will never go to a big restaurant just for eating a bowl of small dumplings or red-bean soup. Can't we encourage some people to run private snack bars in alleyways? The shortage of repair service is also a major problem. It takes 1 week to have a pair of shoes repaired at a store, but a cobbler can do the job instantly. You can't get anybody to mend your

clothing or repair your broken tables and chairs. Why can't we allow people to open small shops and set up repair stalls in the service of residents? We should learn from Shanghai the experience of running urban repair services. There is still another trade which the public has overlooked for many years, that is the laundry. Before the liberation, in many big cities there were laundries in every residential area. Even in colleges and middle schools, some people would come to collect laundries everyday. As a rule, all office workers never washed their own clothes. At present, washing one's own clothes is a heavy burden next only to eating meals. If laundries could be restored, to be equipped with some washing machines, all workers and students would have much more time for study and rest, and would not be more tired on Sundays than on weekdays.

All the foregoing are trades which should be set up as an addition to the city. In the past, some people took them as "loopholes of capitalism" which were too many to stop. At present, these "holes" should be widely opened as the gate, to develop enterprises of collective ownership. The stipulations of our constitution permit "undertaking individual labor not exploiting others within the scope permitted by law." This rule should be enforced. By doing so, it will not be difficult to solve the problem of urban unemployment. Recently, the Chongwen ward of Beijing municipality has been running experimental points, reportedly with very good results. Some people are worried that the incomes of those who undertake collective ownership enterprises, responsible for their own profit and loss, are higher than incomes of workers of 5th and 6th grades. Is it not a mistake of the political line? They hope that theorists will write some articles to prove that the development of urban collective ownership is not taking the road of capitalism. I have enumerated in the foregoing the trades of handicraft labor. In my opinion, as far as handicraft labor is concerned, collective ownership may possibly be superior to whole people's ownership. The relationship of production must cope with the character of productive forces. The belief that under any conditions (such as the condition of handicraft labor), whole people's ownership is always superior to collective ownership is not Marxism. At present, in the cities we not only must further advocate collective ownership, but also should not wipe out entirely even individual labor (such as those who sharpen your kitchen knives and repair your shoes at your homes). It not only contributes to the expansion of employment but also gives convenience to the residents. If we can make sure that they are allowed to live only on their own labor and not allowed to exploit hired labor, certainly no new exploiters will be born.

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NATIONAL ECONOMIC POLICY

PROBLEMS IN REGIONAL ECONOMIC SPECIALIZATION, COMPREHENSIVE DEVELOPMENT DISCUSSED

Wuhu ANHUI SHIDA XUEBAO in Chinese No 1, 15 Mar 79 pp 22-27, 36

[Article by Huang Rungsheng [7806 2837 3932]: "Certain Problems in Regional Economic Specialization and Comprehensive Development"]

[Text] Economic specialization and comprehensive development present problems in overall placement of productive forces in all regions of the country that encompass the division of labor, the selection and placement of plant sites, and the location of enterprises. In order to make an equitable regional distribution of production forces, given the limitations in coordinating distribution of labor in the various regions of the country, there must be a nationwide coordination of capital construction, of production tasks and regional capital construction, and of conflicts among production tasks, as well as a determination as to scale and direction of economic specialization and comprehensive development. In this new historic period of accelerated realization of the Four Modernizations, a good job of regional economic specialization and comprehensive development will play an important role in the equitable use in each region of manpower, of material resources and financial assets, in the equitable allocation of production forces, and in the mustering of all positive factors in each region to serve socialist construction and to promote the continued high speed development of the national economy.

Regional economic specialization is the inevitable outcome of the development of a division of labor in the social manpower arena. Under conditions in which commodity exchanges and regional divisions of labor are developing, there must be a mutual exchange of the different products that each region produces above and beyond that portion needed to satisfy requirements within the region. This exchange must take place in order to regulate situations of surplus and shortage from one region to another. Consequently, regional specialization of production must aim to control the lion's share of both the sectors and the products for which there is interregional divisions of labor or exchanges. But some sectors and some products, though they may occupy a relatively large proportion of interregional division of labor and commodity exchange, their position in the regional economy itself is

rather small and thus they play no important role in the development of the regional economy; consequently, they are not regional specialized producers. Thus, specialization of regional production must additionally aim to control the lion's share of comprehensive regional economic development, and decide which sectors and which products will form a part of the regional economic picture.

The specialization and comprehensive development of the economy of a region are intimately linked. Not only does specialization of the regional economy reflect the coordination and division of labor between one region and another, it also reflects the position and function of each region in the total national economy, and it reflects the division of labor and coordination within a region as well. Inasmuch as the production structure and the organization of sectors is decided by the nature and type of specialized production, there will be a certain kind of regional specialization of production and a special kind of regional production structure and organization. Different levels and types of regional economic specialization will condition the degree of regional economic comprehensive development and differences in its nature. For this reason, study of specialization of regional production must proceed from an analysis from both an interregional and an intraregional standpoint, and it must make a relevant explanation of the two criteria for specialized regional production, namely: the criterion of the proportion of interregional division of labor and product exchange for any given product, and the criterion of the proportional amount of any given product in the comprehensive development of the regional economy. These two criteria have a definite relationship. Under circumstances in which nothing else changes (notably circumstances wherein the rate of consumption and export outside the region does not change), an increase in any specialized production within a region can increase interregional proportionate division of labor and goods exchanges of those specialized products in the region. But the direction and degree of change in these two criteria are not identical. The most important factor determining the first criterion above is the amount of any given specialized production and the proportional consumption within the region and export outside the region. This has nothing to do with the level of development of other sectors within the region. The principal factor deciding the second criterion above is the amount of specialized production and the proportional level of development of other sectors within the region. This has nothing to do with consumption within the region or exports outside the region.

Regional specialization of production is a form of organization for social production, and it must serve to increase the production rate of social labor and serve the basic requirements of socialist expansion of further production. Determining the extent of specialized regional production and figuring out reasonable limits to specialized regional production is very complex in that it is affected by many factors. Only through concrete analysis of the various factors bearing on regional specialized production can an accurate determination be made of the direction and scope of specialized production in each region.

Nationwide production levels for some products and levels of technological development constitute prerequisites for deciding whether to implement specialized regional production. Specialized regional production continuously develops along with the development of production forces and the advance of technology. Generally speaking, when the production forces and level of technological development differ along similar production units at different historical times, the extent of development of specialized regional production will also vary. Where nationwide levels of production and technological levels of development differ among different individual production units, the extent of development of specialized production will also differ. In units where nationwide production levels and the levels of technological development are fairly high, the level of development of specialized production will also be fairly high, while in units where nationwide production levels and levels of technological development are fairly low, the extent of concentration of production will also be fairly low and the level of regional specialization of production will be consequently relatively low. Therefore, the scale of development of regional specialization of production in any given sector will be limited by the nationwide production level and the level of technological development in that sector. This is an important factor that must be considered when coordinating and reorganizing industry for specialization. Contrarily, when the nationwide level of production and the technological level of development of a given sector is fairly high, if a lopsided reduction in the scale of regional specialized production is made out of desire to make production "large and complete" or "small and complete" with a consequent excessive dispersal in the layout of enterprises, equitable use of the advantages of large production will become unattainable and it will not be possible to make best use of advanced science and technology; thus the economic effectiveness of specialized production will be largely vitiated.

A direct relationship of dependence exists between the level and scope of regional specialization of production in any given sector and the demand for particular goods outside or inside the region as well as in the regional coordination of production and marketing. On the one hand, only when the amount of demand for a particular good (including both demand within and without the region) reaches a certain level will it become advantageous to build such specialized production within the region. On the other hand, the variety and amount of demand from within and without the region will also limit the direction and scope of the specialization of production within the region. Generally speaking, the greater the demand for certain goods within or without a region, the higher will be the level of regional specialization for those goods and the broader will be the market for those goods. The level and scope of the specialization of production of any given good in a region is not fixed and immutable. It must fit in with the demand for those goods within and without the region, and it must fit in with the need for development of regional production and marketing relationships. Thus, when we rearrange and reorganize regional industry and coordinate the organization of production for specialization, we must

analyze demand inside and outside the region as well as changes in regional production and marketing relationships in order to draw up, on the basis of region and variety, a regional balance sheet for production and consumption that can be used as an equitable basis for deciding certain regional specialization of production.

The direction and scope of regional specialization of production and the distribution of natural resources in each region as well as the extent of their development and use are inextricably related. Vast differences exist in the distribution of natural resources, and the combination of natural resources in each region also varies. Inasmuch as the same natural resources found in different regions may vary in quality, or as to how they are buried in the earth, or as to how they may be used and exploited, or because of differences in transportation and communications, the economic value in the exploitation and use of natural resources in different regions will not be the same. This constitutes the natural foundation on which different specialized production in each region develops. Take industry for example. The influence and the role of various natural resources on regional specialization of production is particularly striking in the extraction industry sector. For example, large steel plants are always built in areas where there are large economically viable iron mines or coal mines. Of course, under existing conditions of production technology and communications and transportation, regional specialized production of any kind could also be built in areas on which minerals are transported from elsewhere, but no region can completely depend on another region for supply of raw materials and fuel to establish its own specialized production. Though specialized production in a region requires raw materials and fuel of many kinds, to obtain supplies entirely from elsewhere is difficult and, at the very least, the local area ought to solve the problem of supply of the major raw materials or fuels that are most used. This requires an economic evaluation of every area that produces any kind of mineral raw materials to determine reserves of the mineral resources, their quality, and the technological conditions and economic requirements for the extraction of the deposits. Following this comes a determination of the size of the construction of enterprises and the length of time they are intended to last, methods for exploiting the mines, and the preparation of estimates of capital to be invested and costs, and a determination about the sequencing of development of the mineral area so as to provide a resource basis for the construction of any given specialized production.

In addition to the effects of factors internal to the sector, the regional specialization of production is also limited by the level of development of other sectors. Only when the size of regionally specialized production matches the level of development of the local economy can equitable use be made of the local natural and economic resources to increase economic effectiveness. If the level of development of the regional specialized production and the development level of other production forces within the region are not matched, the key elements of production forces within the region will

become divorced from each other bringing about a long distance hauling of raw materials, fuels, auxiliary supplies, provisions, and daily necessities. This is because regionally specialized production cannot develop independently. It's size and speed of development must be decided on the basis of the degree to which it is adapted to the level of development of the local economy and its dependence on the region to supply so much raw material, fuel, auxiliary goods, consumer goods and manpower. Thus, when we develop regional specialization of production, we positively cannot separate ourselves from the independent development of the local economic level but must fit in with the level of development of the local economy in order to establish regional specialized production on a firm and reliable foundation and to promote the accelerated development of regional productive forces.

The development of every regional economy must not only build specialized production on a foundation of division of work in the labor area to determine an equitable interregional proportion, but must also require each production unit within the region to be interrelated, to maintain a fixed proportional relationship, and to promote comprehensive development of the regional economy. Comprehensive development of a regional economy is intimately linked with specialized production in a region. Development of the economy of every region requires, on the one hand, fullest use of a beneficial, natural and economic local resource base to build specialized production units. On the other hand, if priority development of specialized units is to be assured, it requires that the hauling of materials from great distances be reduced to the very minimum to bring about a comprehensive development of the economy of the region.

Inasmuch as natural resources, the level of production technology, and the economic characteristics of each region vary, the comprehensive development characteristics of each region's economy will also be different. This is brought about by the characteristics of the specialized production in each area. For example, in regions where specialized production in metallurgy and machine industries has taken place, the structure and proportion of its units will obviously be different from regions where specialization in the production of coal and electric power has taken place. Not only this, but owing to the differing sizes of regions and the extent of specialized production, the extent of comprehensive development of regional economies of various kinds will be different. In regions with a large land area, the extent of comprehensive economic development will be rather high, and the regional economy will be fairly complete. Realization of the Four Modernizations requires that each region construct, within the provisions of the unified state plan, an economic system for agriculture, and light and heavy industry that is rather well coordinated with different levels, with various characteristics, done in different ways, and that is energetically coordinated. In provinces with fairly small land area, the extent of comprehensive economic development will be a little less. Each province is not required to build a complete economic system. This not only cannot be done at present, but is not necessarily required over the long run either. Because each province possesses resources of different characteristics, unless there

is adaptation to the local situation rather than self-sufficiency in everything, horrendous waste will be created in manpower and materials. But no matter the differences in nature and extent of the comprehensive economic development of various regions, some common problems of comprehensive economic development exists in every region. These problems are namely that there must be an organic linking together of each production unit in the region with none of the mutual separateness that gives rise to imbalances in proportion. Every effort should be made within regions to develop economic cooperation and integrated production in enterprises, and on this foundation to assure an equitable method for transporting large quantities of materials within the region. Study the distribution of natural resources within the region and how they are combined to strengthen comprehensive use of natural resources.

The structure of comprehensively developed units in the regional economy is not fixed and immutable. It advances with technology, the development of production forces, the expansion of communication and transportation lines, and the strengthening of the use of natural and economic resources. The structure of production within regions is particularly complex with the production relationships between each unit intensely intimate. But in the comprehensive development of regional economies, a definite contradiction exists, which is manifested principally in the inability of production structures within regions to meet the requirements of the development of production forces, thus creating the following: the development of intimate relationships among each production unit in regions cannot be coordinated; failure to make rational use of the natural resources and the economic conditions prevailing in the locale leading to a breakdown in the principles of unified and coordinated production and bringing about the long distance hauling of various materials; when changes have occurred particularly in the direction and scope of specialized production in the region, though changes have not yet occurred in the comprehensively developed production structures within the region, the manifestation of contradictions becomes more prominent. This requires that we must constantly bring to light and foresee contradictions already existing or about to appear in regional comprehensive economic development and, on the basis of requirements in the development of productive forces, constantly make adjustments to internal regional production structures to link together in a rational way the various factors in production in the region.

Requirements for various products in each region are many and varied. Comprehensive regional economic development must meet the demand for these products. Demand for various products in each region will depend on the levels of capital construction, production, and consumption at a definite period of time. Each regional economic unit and each link will interact with others in an organic relationship. If demand for just a single product is not fully satisfied, the smooth development of production in every related unit will be adversely affected. But great differences exist in the ability of each region to produce from its own regional resources the various products to fulfill demand, and this is linked to the influence of numerous complex factors

inside and outside the region. That portion of demand that cannot be satisfied from within the region must be supplied from outside the region; otherwise production ratios within the region will suffer further damage and expanded social production will be unable to advance smoothly. Consequently, the level of comprehensive economic development of a region depends on the effects of the three factors of amount of demand for various products, production capacity of the region, and amount of transport from outside the region. These factors are mutually interdependent and mutually interactive. When local production capacity of an area is limited while demand for various products increases, a relative decline in the extent of regional comprehensive economic development will occur and a rise in the dependence on the outside economy will take place. Contrarily, when demand for various products within a region is stable, expansion in production capacity within the region can increase the degree of regional comprehensive economic development and reduce the degree of dependence on the economy outside the region. But no matter what the circumstances, the level of comprehensive regional economic development must fit in with the amount of regional demand (or reduced dependence on transport from outside.) The extent to which satisfaction of demand for various products within a region will depend on production from within the region versus transportation from outside the region will be decided by a comparison of economic effectiveness.

Each region possesses natural resources that are not only peculiar in some way to the region but also of many and various kinds, or they may be raw materials or fuels so vast in amounts as to be able to satisfy nationwide needs or lesser in amounts able to satisfy only the needs of the region. Comprehensive regional economic development means assured complete and equitable use of objective demand for local natural resources. Given current scientific and technological levels and the levels of development of production, the integrated use of extensively developed resources can, under the unified state plan and the coordination of the division of labor, rationally link regional development together with regional specialization of production and comprehensive development. The development of comprehensive management that integrates the use of local resources can eradicate much senseless transportation while at the same time assure dependence on resources from within a region to satisfy to the fullest extent both the development of production and the daily needs of the masses. Development of the integrated use of resources can proceed either from the production of various different products from a single raw material or from the production of a single product from diverse raw materials. This will permit us to rid ourselves of a certain amount of dependence on raw materials to set up enterprises in each region to develop varied production.

A regional economy is an organism that possesses interrelated parts, and within each production unit in a region there exists technological and economic interaction. Only through the comprehensive development of a regional economy can the close economic and technological relationships that exist within a region be given full play, and only can the distances over which various products are transported between the enterprises be

shortened, and only can the intimately related production processes in an area be rationally linked together so as to cut down waste of manpower and materials in the production process and increase the economic effectiveness of capital investment. Thus, as we set about readjusting and reorganizing regional industry to bring about industrial specialization and coordination, we must be careful not to cut asunder artificially the intimate technological and economic relationships existing in the production process, or to destroy the sensible areawide relationships existing in the production process, thereby bringing about extended transportation lines to raw material, fuel, and product consumption areas with resultant increases in unnecessary transportation expenses.

A socialist economy is a nationwide unified and planned economy in which the development of the economy in each region must take account of the totality and be subordinate to the overall interests of the "whole nation as a chessboard." Looked at from the standpoint of the coordination of division of labor in each region throughout the entire country, each region must bear part of the burden of the division of labor and coordination by investing rather large amounts of manpower, materials, and financial resources in specialized production units. Thus, in no area may comprehensive economic development mean closing the region to all outside intercourse, or a scattering of forces with each region going its own way and seeking to achieve self-sufficiency in all things within its own borders. Comprehensive regional economic development means an equitable organization of production within a region within the requirements of assured completion of the task of nationwide specialized production, development to the fullest extent possible of productive enterprises within a region where conditions and capabilities permit, doing a good job of a comprehensive regional economic balance, coordination of the proportional development of all aspects of the regional economy, and promotion of the rapid development of the regional economy.

Regional economic specialization and comprehensive development are contradictory entities in the development of regional economies. They require accurate determination of an equitable mix between regional economic specialization and comprehensive development, and they also require accurate handling of the relationship between the conflicting entities of regional economic specialization and comprehensive development. Unity between regional economic specialization and comprehensive development is manifested in the expansion and enhancement of specialized regional production that goes along with advances in technology and the development of production forces and, at the same time, it requires an appropriate expansion of the amount of comprehensive regional economic development and enhancement of the technological and economic relationships among each sector. In every region, though the natural resources and economic conditions for satisfying the demands of the entire nation and of outside regions may exist, and though the natural resources and economic conditions may exist for satisfying the many and varied demands from within the region, the economic development of every region requires both a building of production to satisfy requirements

for products by the nation as a whole and other regions, and a building of production to satisfy the needs for products within the region. Consequently, rational combination of regional economic specialization and overall development with vigorous development of interregional and intraregional division of labor for production and economic coordination is an objective requirement in the economic development of every region.

Leaving aside the economic relationships among regions, the manpower and material possessed by each region at any particular time is limited. When the extent of development of regional specialized production units is fairly high, fairly large amounts of manpower and materials are required. When the extent of development of comprehensively developed units is fairly low, the amounts of manpower and materials used are fairly slight. This is because regional specialization of production and comprehensive development are interdependent and interacting. In figuring out the scale of development of regional specialization of production, not only must the production potential and the possibility for increased production be studied, it is necessary also to consider the extent to which affected units within the region and local units producing consumer goods can carry the burden. If the development of specialized production units exceeds the extent to which affected producing units and units producing regional consumer goods can carry the burden, then no reliable assurance exists for the development of regional specialized production units. Thus, when in the course of the development of specialized production units, conflicts arise in arrangements for manpower and materials between a region and its affiliated production units and units producing regional consumer goods, then proper handling must be done on the basis of benefits to the overall national economy with conflicts between regional economic specialization and comprehensive development being reconciled. In assuring a reasonable linking together of production forces of each sector in the region, and the priority satisfaction of the conditions required for the development of that region's production, a balance must be struck.

The scale of regional economic specialization and comprehensive development depends not only on production factors within the region but also on economic relationships of other regions. Determination of the scale of regional economic specialization and comprehensive development depends not only on the manpower and material conditions of each individual region but on transfers among regions. This is because the amounts of manpower and material resources each region possesses and the amounts of manpower and material resources that can be provided for use are two different amounts. When exports from the region are greater than imports to the region, the amounts used in the region are less than what the region possesses. When imports to the region are greater than exports, the amounts used in the region are greater than what the region possesses. In determining the extent of regional specialization and comprehensive development, it is necessary to properly link the needs for manpower and material of the various production units to what manpower and material can be provided from inside or

outside the region. Once the scale of production of local economic specialization and comprehensive development has been fixed, if manpower and material resources from within the region are insufficient to needs, consideration must be given to ways to make adjustments through transfers from outside regions. Once the amounts of manpower and material resources on hand, the amounts to be transferred in, and the amounts to be transferred out of a region have been set, should conflicts arise in the mix between regional economic specialization and comprehensive development, then adjustments must be made to the development mix in every production unit to bring about a balance.

Determination of regional specialization and comprehensive development also requires that detailed economic proofs be conducted on the basis of an overall balance. Conducting economic proofs of regional economic specialization and comprehensive development is interrelated with and interacting with calculation of every plan for enterprise distribution.

Proofing the effectiveness of every plan for enterprise distribution must take as its direction the economic proofing of the overall distribution of regional economic specialization and overall development. Moreover, the economic proofing of overall distribution of regional economic specialization and comprehensive development must, in turn, use as its basis calculations as to the effectiveness of various plans for distribution of enterprises. But just how does one conduct an economic proofing of the overall distribution of regional economic specialized industries and comprehensive development? This is a rather complex problem. Below are some lines for further study of this problem that all may criticize and make corrections to.

First of all, a comparison should be made between the expenditure of labor for specific individual specialized production in a region and the average required expenditure of labor for that specialized unit. The first requirement for building or expanding any specialized production in a region is that the specific expenditure of labor for those products be lower than the average required expenditure of labor for those products. For example, site A is a place that produces iron ore and consumes manufactures made of steel where consideration is being given to the building of a specialized iron and steel production base. But because the quality of iron ore is poor and of low grade and because transportation is not well developed in the region, the investment and cost for iron and steel products would be higher than average. But at nearby site B, where the quality of iron ore is fairly good and of high grade and where transportation is well developed, investment and costs for iron and steel products would be lower than average. Under these circumstances, construction of specialized iron and steel production at site B with site B supplying the needs of site A would be economically sensible.

The above pertains to units of the same kind. In units of different kinds, generally speaking when the specific expenditure of labor for any given specialized production in a region is lower than the average expenditure of labor required to produce that product, it is advantageous to reduce the expenditure of labor of other units in the region and advantageous to increase the effectiveness of overall distribution within the region. But under certain circumstances, though the specific expenditure of labor required for any given specialized products in the region is lower than the average expenditure of labor required for that product, if there is over-expansion of production of these products that excessively concentrates production in this region, production may outstrip raw materials, fuel production, and the consumption area for the products causing difficulties in supply and transportation and creating a mismatching between specialized production and the development of the total national economy and other sectors within the region. This can give rise to longterm economic inequities and may reduce the effectiveness of the overall composition of the regional economy. The composition of the regional specialized units requires not only proofing and calculation of the effectiveness of the expenditure of labor by specialized units but also requires a proofing and calculation of the effectiveness of expenditure of labor by affiliated units in the region. The reason is that new construction or expansion of specialized production enterprises also requires expansion in the size of affiliated units with additional capital investment. For example, in proofing the rationale for construction of a hydropower station, not only must there be calculations of the labor expenditure for the hydropower station itself but there must also be calculations of the expenditure of labor for the construction of a series of enterprises affiliated with the construction of the hydropower station. Let us say plans exist for construction of two hydropower stations. In the first one, direct investment costs would be small but costs related to the construction would be great. In the second one, direct costs for the power station would be large but related costs would be small. If the direct outlays of capital and related outlays for these two plans are combined, costs for the first would be greater than for the second and thus the plan for the second one would be chosen. From this it may be seen that if looked at solely from the standpoint of the specialized production unit itself with calculation of direct investment costs only, the first plan might seem more beneficial than the second. But looked at from the overall standpoint of production in the region taking into consideration investment costs for related units, amount of investment required for the second plan would be less and therefore more advantageous.

In studying the composition of regional specialized production units, comparison of the effects produced by investments for various production requirements in each region (items such as labor force, subjects of labor, and labor methods) must be made. The most fundamental requirement for the positioning of socialist production is fullest use of manpower and material in each region, and these production requirements are to be rationally linked in areas so as to accelerate socialist expansion of further production.

This linkage requires, as a point of departure, not only a balance in supply and demand for manpower and materials as well as cost effectiveness in specialized units but also selection of the optimum combinations and balances from among the various possible mixes of labor and materials in the region, and from selection of an overall balance between supply and demand in production requirements with an eye to equitable use of manpower and material resources in each region, and with benefits to the overall composition of regional production in mind so that greatest economic effectiveness may be derived from the least expenditure of labor.

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NATIONAL ECONOMIC POLICY

REORGANIZATION OF INDUSTRY URGED

Beijing RENMIN RIBAO in Chinese 30 Jul 79 p 2

[Article: "Reorganize Industry Speedily According to the Principle of Cooperation of Specializations"--A Commentary by the Daily Reporter]

[Text] In his "Report on Governmental Works" presented at the second meeting of the Fifth General Assembly, Comrade Hua Guofeng pointed out: "We must organize various enterprising specialization corporations and joint corporations with appropriate plan and preparation. We must, step-by-step, transform the backward state of many enterprises signified by their low economic efficiency resulting from "big and complete," "small and complete" corporation structure. We must, step-by-step, transform the backward state of the administrative and managerial organizations signified by the low efficiency in managing economic affairs resulting from swollen and overlapping administrative and managerial organizations."

In the early 60s, we, based on the principle of cooperation of specializations, organized on a trial basis some national and regional specialized production corporations. Later, this work was interrupted by the interference and destruction of Lin Biao and the "gang of four," and many specialization corporations which had already been established were forced to cease operation one after another. After the "gang of four" were crushed, many regions and units resumed reorganization of industry according to the principle of cooperation of specializations. In order to gain experience, the National Economic Commission, in cooperation with the three cities of Beijing, Shanghai and Tianjin and the province of Liaoning, went one step ahead of the others to organize matters pertaining to this activity. From what has been demonstrated by the experimental stations located in the said four cities and province and other provinces such as Jiangsu and Sichuan, the works done in the past year or so related to the reorganization of industry have already shown some preliminary results. The more important results include the following:

1. A large number of scattered enterprises have been organized by implementing administration according to each specific line of command [2981 0656 4619 3810] and unified dispatch and command. The phenomenon of

multilevel leadership and scattered management has thus begun to transform. The municipal and district factories belonging to the city of Beijing have experienced more rapid development since the management system was reformed. The production value of these factories in 1978 was 23 percent more than that in 1977. This increase was found to be greater than the overall citywide average increase level of 13.8 percent.

2. According to the unified plan for various occupations and division of labor, production of "goods which are in full supply" was reduced and production of "goods which are in short supply" was increased. A preliminary adjustment has thus been made to alter the production plan of some of the plants, to develop priority products and to promote distribution. As a result, more "goods which used to be in short supply" are exported. After a total of 47 plants in Shanghai dealing with television sets were organized into a television industry corporation, an adjustment was made to combine some of the less well-equipped plants producing low quality "goods which are in full supply" and some of the special parts which used to be manufactured by a wholly equipped factory were turned over to specialty plants for production. As a result, the total production of television sets last year increased 96 percent over that of the previous year, and at the same time the product quality has been improving steadily and the cost has been going down. The entire enterprise has turned loss into gain. On the foundation of cooperation of specializations, Shanghai has initiated unification of industrial corporations and trade corporations. The idea of a unified industrial and commercial corporation lies in establishment of a close tie between production and distribution.

3. Reorganization of "big and complete" and "small and complete" plants into groups according to production, parts and technology involved in order to facilitate specialized production employing high efficiency specialty equipment and technology, to turn small-scale production into large-scale production, to raise the economic efficiency and to dig up the latest enterprise potential.

4. Big plants assist small plants in such areas as strengthening of the enterprise organization, training of the technical backbone, improving product quality and solving various problems related to technical management production.

5. Unified organization of technical supporting forces including communications, transportation and various social services has not only improved efficiency but also enabled plants to concentrate their energy on improving production.

Besides these, the movement of combined specialization reorganization has initiated solution of pollution problems caused by the "three wastes" and noise in the city brought about by some of the enterprises. Some of the corporations and major plants have further actively implemented unified raw material supply and generalized utilization in order to increase production while saving materials.

From these preliminary results described above, we can easily see that reorganizing industry according to the principle of cooperation of specializations can not only save money and get quick results, but also dig up hidden potential of the existing enterprises. It is truly one of the most important routes of speeding up the industrial development of this country.

The comrades representing those cities and provinces where reorganization of industry has been tried out reflected that there are many contradictions in the works related to an industrial reorganization, and as a result, the resistance is quite large and the progress of the trial work carried out by the enterprising corporation is very slow. The main reasons are:

1) The economic management system employed today has not yet achieved an overall reform. Therefore, various systems including planning, financial, material supply and labor are still operating on the old rules, and the corporation has very little right of autonomy. 2) A series of problems concerning policies such as tax policy, price policy and the relationship between the two ownerships--people and collective--have not yet been clearly resolved. 3) Cadres' ideological resistance due to selfishness, small producer disposition, the old habit of administrative management of the economy and the old frames. 4) The matters related to funds, equipment and materials that are required to implement adjustment and reformation are more difficult to solve. Besides these, in those specialization corporations which are being tried out today, lack of a unified plan which binds those above and those below results in everyone doing his own thing without proper coordination. This also adversely affects a smooth development of industrial reorganization. The masses demanded that careful investigation and research should be carried out in the future, and the past experiences should be summarized on matters pertaining to experimenting with enterprising corporation and system reform, so that the problems may be solved positively and systematically.

Reorganizing industry according to the principle of cooperation of specializations is part of the important content of an overall reform of the present economic management system. It must be carried out aggressively but also carefully. How can we do this work well? Based on what has been learned from practice by some of the cities and provinces, we must handle the following problems well:

1. Problems related to how one should handle the specialization corporations (general plant) which were established in the past: There are in general three situations to which the established corporations (general plant) belong, according to what has been learned by those cities and provinces. The first kind is basically an enterprising corporation. It practices unified management of from supply, production, distribution, to personnel and finance of all subordinate enterprises and does its economic calculation independently. However, there is very little corporate right of independence under the present system. The second kind

is basically an administrative corporation. It has not yet initiated a unified calculation, but has partially implemented centralized unified management of production, supply and distribution. The third kind is an administrative corporation. It has done some work on formulating plans, organizing production technical management and exchanging experiences. The majority of these corporations belong to the latter two kinds. Since most of the corporations belong basically to an administrative management organization and not an economic organization doing independent calculation, large matters are governed by the bureau above, and small matters are governed by the factory below, thus resulting in an additional level of management. In order to demonstrate the superiority of cooperation of specializations more effectively we must actively create favorable conditions for transformation of the existing administrative corporations into enterprising economic organizations. We cannot afford to remain in the present state forever.

2. In organizing specialization corporation according to the principle of cooperation of specializations, one must do it realistically by taking into consideration the local characteristics and the level of local industrial development and adopt appropriate measures and steps. In such big cities as Beijing and Shanghai where there are high concentrations of industries it is still necessary to establish under each industrial bureau a group of specialization corporations (general plant) in which finer division of labor is defined. In some of the medium size cities, it is not recommendable to divide too finely or specialize too narrowly in the early stage of organizing specialization corporation, and some of the plants may be supervised directly by the city or the village. In some areas of medium to small cities where the industrial foundation is relatively weak, where there are not very many factories, it is quite unnecessary to forcibly organize a number of plants, among which there exists no organic relationship concerning supply, production and distribution, into a single corporation.

3. About matters related to changing the subordinate relationship of enterprises: In the past year or so, some cities and provinces such as Beijing, Tianjin, and Liaoning have made some readjustment of the subordinate relationship of enterprises by taking in under city management some of the enterprises which belonged originally to the district. This move appeared to be a necessary one. Without it, it will be impossible to carry out the necessary rearrangement and reorganization in order to practice centralized unified management. However, it is not necessary to group all the plants producing similar products or doing joint assembly work into a single corporation. Some of the enterprises and products may adopt occupational administration according to each specific line of command, unified planning, classified management and organizing "a single dragon" to assist production. The enterprises that are taken in under the collective ownership system must be handled very carefully. As to the street industries and commune-owned industries, these should not be taken in or change their ownership. Whenever there is a need for organizing them, a fixed cooperative relationship can be established by means of business contracting.

4. About the problems related to reorganization of "big and complete" or "small and complete" type of plants: It is necessary not only to guide them toward development of specialized production and cooperation in order to gradually transform the backward state of low economic efficiency today, but also to carry out a concrete analysis of various conditions related to division of plant, opening of plant, subcontracting and dispersion, each case treated separately. We must prevent specialization for the sake of specialization, for such a move might result in artificial dismantling of an economically rational joint enterprise or centralizing and unifying things that should not have been done in the first place.

5. About matters related to the relationship between the two ownership systems--people and collective: How does one carry out unified calculation if there are two ownership systems--people and collective--in a single corporation? In principle, these two systems do not allow any mix-up. Financially, two separate books must be kept, independently calculated and no mutual averaging or adjustment may be made. The fixed capital, the profit and the tax must be separately calculated and paid.

Reorganization of industry according to the principle of cooperation of specializations is a very big event, and it must be done in an orderly manner with proper planning. The concerned responsible comrades of the National Economic Commission suggested that each province, city and autonomous region together with various departments of industry and transportation must combine the tasks of the 3-year readjustment period and establish a plan for reorganization of industry and division of occupations. Such a plan must be compatible with the present industrial reorganization plan, the long-range plan for industrial development, the exporting development, the plan for importing technology, the plan for adopting new technology and the plans for developing latent potential, reforming and transforming together with the plan to strengthen scientific research, to cultivate talents and to expand technical forces. The plans formulated by each department which are related to the nationwide occupational reorganization must be matched with the plans for occupational division established at the province, city or autonomous region level. In formulating plans for industrial reorganization, or establishment of a corporation, the economic impact of the plan must be strongly emphasized. Through reorganization the present production capability shall be more scientifically and more rationally organized, and a much better economic effect shall be achieved in order to promote the development of greater production power.

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GENERAL ECONOMIC INFORMATION

VIEWPOINTS REGARDING LAW OF VALUE EXPLAINED

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 7, 20 Jul 79 pp 74-76

[Article by Yu Jiaqing [0151 1367 1987]: "'Determination of Value' Connotes the Law of Value--Also a Discussion With Comrade Huo Junchao [7202 0193 6389]"]

[Text] I feel very much inspired after reading comrade Huo Junchao's article "We Cannot Equate the 'Determination of Value' with the 'Law of Value,'" published in the third issue of 1'79 JINGJI YANJIU. That article devotes a great deal of space to explaining the implication of the "determination of value" and cites effective evidences. But that article does not mention a word in connection with what the law of value is. That article also does not explain why the "determination of value" cannot be equated with the law of value. Can the "determination of value" really be equated with the law of value? No doubt, the key to answering this question is to correctly explain the law of value. In the following, I would like to bring out my own viewpoints regarding the law of value.

I. The Law of Value Is a Law in the Sphere of Production

What is the content of the law of value? At present, a rather representative method of review by our country's economics circle is the method of "three basic points." These are: First, the value of every commodity is determined by the socially necessary labor time for its production; secondly, the price of a commodity takes value as its basis; and thirdly, commodities are exchanged under the principle of equal values. In this review, the first point deals with the "determination of value," which belongs to the sphere of production; the second point deals with the basis for price; and the third point deals with the principle of exchange. The second and third points belong to the realm of exchange. According to this review, we naturally regard the law of value as the law in the sphere of production and more so in the sphere of circulation. In that case, once commodity production has been eliminated, exchange becomes unnecessary and the law of value also naturally disappears. It is precisely on this understanding that the law of value is understood as the law specially designated to the commodity economy. Some comrades deny the existence of the law of value in the future communist economy of the system of public ownership. Some comrades, in

discussing the role of the law of value, only aim at the sphere of circulation, discuss in a big way the regulatory role of the price policy and hold that production can be influenced by employing the methods of raising the price or lowering the price. Even the articles which exclusively discuss the regulatory role of the law of value on production also only mention the issue casually, or simply recognize its regulatory role "to a certain extent" or regard it as an appendix to the law of development in a planned and proportionate manner.

Is the law of value really a law that exists in both the sphere of production and the sphere of circulation, or is it a law that belongs exclusively to the sphere of production? Let us first take a look at Marx's review of the law of value. In "Wages, Price and Profit," Marx writes: The value of commodities is determined by the amount of labor expended in its production. He then immediately goes on to link the "determination of value" with labor productivity, pointing out: "The Values of Commodities Are Directly As the Times of Labor Employed in Their Production, and Are Inversely As the Productive Powers of the Labor Employed."¹ [in boldface] The change in labor productivity leads to the change in the socially necessary labor time expended in the production of commodities, and "The Law That Value Is Determined by Labor Time, [in boldface] the law which had exerted its sway over the capitalist who introduced the new method of production by making him sell his commodities for less than their social value, exerts its sway over its rivals in the form of a coercive law of competition, and constrains them to adopt the new method of production."²

The above evidence clearly tells us that socially necessary labor time connotes the law of value. Socially necessary labor time is the same concept as "determination of value" (regarding this point, comrade Huo Junchao's evidences are convincing). Thus, the law of value is in the final analysis the law of "determination of value." However, for some unknown reason, the law of "determination of value," without ground, acquires the category of the sphere of circulation and becomes a law that includes the "three basic points." No wonder comrade Huo Junchao holds that we cannot equate "determination of value" directly with the law of value.

It is generally understood that the law of value is discovered in Marx's scientific analysis of all social economic formations, especially the capitalist economic formation, since the existence of commodity production. Capitalist commodity production is the most advanced form of social production in the age of Marx. In such an economy, the production process and the circulation process are interdependent and interrelated, forming a unified body of commodity production. However, in this unified body, production determines circulation and circulation in turn affects production; production is a key element in the position of being governed. Furthermore, value is created in the production process and the circulation process only realizes the value created in the production process. Of course, the circulation of commodity requires a series of expenses, which can be summed up in the following two kinds: One is the expense brought about by the transformation

of the form of commodities, that is, pure circulation expenses; another is the expenses brought about the motion of the use value of commodities, that is, pure circulation expenses; another is the expenses brought about by the motion of the use value of commodities, that is, transportation expenses. The pure circulation expenses do not increase the value of commodities. Although the transportation expenses can supplement their value to the commodities, yet, the transportation of commodities belongs after all to the production process. Moreover, because of the absence of unanimity in the supply and demand on the market as well as other reasons, as a result, even though price, which is the monetary expression of value, frequently deviates from value, "all the changes in price can be explained in terms of value and, in the final analysis, takes value as its basis."³ In short, the question is very clear, that "determination of value" has nothing whatsoever to do with the circulation process. The magnitude of value, big or small, is only determined by the socially necessary labor time, and the socially necessary labor time shifts with the change in labor productivity. Both socially necessary labor time and labor productivity belong to the category of the sphere of production. Thus, the law of value can only be a law in the sphere of production.

II. The Law of Value Is Not Merely a Law in the Commodity Economy

Since the law of value is a law in the sphere of production, then the law is not simply an exclusive law of the commodity economy. Marx points out: "After the abolition of the capitalist mode of production, but with social production still in vogue, the determination of value continues to prevail in such a way that the regulation of the labor time and the distribution of the social labor among the various groups of production, also the keeping of accounts in connection with this, become more essential than ever."⁴ Why does Marx continue to use the concept of "value" after the elimination of commodity production?

We know that "Capital" has profoundly revealed the law of movement of the capitalist economy and has, through analyzing capitalism, this particular economic formation, revealed the universal law and basic principle of social production. Also, through conducting historical observation of the development of the human society in the past and making scientific forecast of the development of the social economy of the system of public ownership in the future, "Capital" has created the distinction between the category of the various special social economic formations and the category of the universal social economic formation. Surplus labor is a category of the universal economic formation, while surplus value is a category of the capitalist economy. In the capitalist economy, surplus labor and surplus value mean the same thing. Socially necessary labor time is a category of universal economic formation and value is a category of the commodity economy. In the commodity economy, socially necessary labor time and value (quantity) are the same concepts. Can we not put it this way: Surplus is labor that bears the imprint of the relation of capitalist exploitation; and value (quantity) is socially necessary labor time that is colored with

the commodity economy? Similarly, the law of value is the temporal economic law under the cloak of commodity production. Once the system of private ownership is eliminated, surplus labor is restored to its original feature and all the surplus products which it creates will be owned by society. Once the system of private ownership is eliminated, surplus labor is restored to its original feature and all the surplus products which it creates will be owned by society. Once we no longer need such form of exchange (meaning, in the communist economy of the system of public ownership), socially necessary labor time and the temporal economic law will also be restored to their original features and will return to their own "real sphere of activities"--the sphere of production. Just as Engels points out: "In determining the question of production, the above-mentioned balancing of useful effects and expenditure of labor would be all that would be left, in a communist society, of the concept of value as it appears in political economy."⁵ These words of Engels offer us a correct understanding of "value" and of the fact that the key to the "law of value" still exists in the communist economy. Because he takes the words too literally and does not attempt to understand the implications of "value" and the "law of value," comrade Huo Junchao therefore is unable to understand how, in the communist society, the "determination of value" still plays the role of governing the "regulation of labor time and the distribution of social labor in the various groups of production."

FOOTNOTES

¹ Marx, "Wages, Price and Profit," "Selected Works of Marx and Engels," Vol 2, p 176.

² Marx, "Des Kapital," Vol 1, People's Publishing House, 1975 edition (the following quotations from the same book are from the same edition), pp 354-355. The bold types are added by the article's writer.

³ Engels, "Preface to 'Wage Labor and Capital,'" "Selected Works of Marx and Engels," Vol 1, p 342.

⁴ Marx, "Des Kapital," Vol 3, p 963.

⁵ Engels, "Anti-Duhring," "Selected Works of Marx and Engels," Vol 3, p 348, footnote.

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GENERAL ECONOMIC INFORMATION

PRIVATE LABOR SAID NOT TO EXIST IN SOCIALIST ECONOMY

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 7, 20 Jul 79 pp 78-79

[Article by Peng Tingguang [1756 1694 0342]: "The Category of Individual Labor Does Not Exist in the Socialist Economy--A Discussion With Comrade Sung Hengzhi [1327 1854 1807]"]

[Text] Private labor is a category in the capitalist portion of the Marxist political economy. It reflects that, in a relation of production under the system of private ownership, labor is a social attribute. Under the condition of the system of private ownership, division of labor emerges spontaneously. The private producer utilizes the means of production which he possesses to carry out productive labor. This productive labor first of all manifests itself as his own private affair which is determined by his individual will. Thus, it manifests itself as private labor.

However, comrade Sun Hengzhi introduces this category of private labor into the socialist economy. His demonstrations can be summarized into a three-part discussion. The major premise is that private labor "forms the premise on which the individual obtains material gains in the social economic life"; the minor premise is that personal labor, or individual labor, "determines the possession by the producer of the means of subsistence" and "individual labor even expresses the characteristics of private labor"; and the conclusion is that "in the socialist economy," "the category of private labor still exists." Now let us dissect and analyze comrade Sun Hengzhi's demonstrations.

First, the major premise is incorrect. The premise on which the individual obtains material gains in the social economic life is first of all determined by his relation to the system of the means of ownership and is not personal labor. Marx points out that any kind of distribution of the means of subsistence is but the result of the distribution of the condition of production itself. Under the condition of the system of private ownership by the exploiting class of the means of production, only the exploiters can obtain material gains, while the material gains for the laborers are not guaranteed. Under the condition of the public ownership of the means of production, the laborers become the masters over the means of production and only then can their material gains be satisfied.

Secondly, the minor premise is worthy of our discussion too. Comrade Sun Hengzhi says distribution according to work "embodies a social relation of the ownership of labor by the individual." He even cites the words of Marx in "Critique of the Gotha Programme," as though his discussion were in accord with Marx's original intention. But I do not feel that it is. Marx clearly points out that, in the distribution according to work, the right of the producers is proportional to the labor they supply. The supply of labor by the laborer and the ownership of labor by the laborer are two different concepts. That the laborer can own the means of subsistence is first of all not determined by personal labor. As is indicated above, the ownership of the means of subsistence by the laborer is because first of all he owns the means of production. And the individual labor power that he supplies can only determine the quantity of the means of subsistence which he will own.

Since both the major and minor premises are incorrect, the conclusion is naturally also incorrect. What merits attention is that the formation of this conclusion is completed only through violating the law of sufficient grounds. In comrade Sun Hengzhi's view, private labor and individual labor embrace certain characteristics, or to put it in a different way, "individual labor even manifests the characteristics of private labor." However, even so, it does not necessarily mean that personal labor or individual labor is private labor. To explain how personal labor and private labor are the same things, we should prove that they are the same in implication and by extension. It is insufficient to judge that they are the same thing simply on the ground that they embrace certain common characteristics.

In short, I believe that in the socialist economy, the category of private labor does not exist. Now, let us again take a look at comrade Sun Hengzhi's discussion of the meaning of the category of private labor in the socialist economy.

First, comrade Sun Hengzhi says: "The existence of the category of private labor is precisely where the individuality of the socialist economy lies and it enables the socialist economy to display its different and unique feature from the other economies of the system of public ownership." I do not agree with this thesis. Lenin points out: Mankind can only make its transition directly from capitalism to socialism, which is to make its transition to the public ownership of the means of production and distribution according to work. In accordance with Lenin's instruction, the characteristic or individuality of the socialist economy is public ownership of the means of production and distribution according to work.

Secondly, comrade Sun Hengzhi says that the law of distribution according to work "is the reverse side of the relation of the ownership of labor by the individual in the socialist relation of production." This thesis deserves our study too. In the socialist society, the product of labor goes to the collective ownership by the whole people and not to the individual ownership by the laborers. After all the necessary deductions,

society will then carry out distribution of the remaining portion among the laborers. Since the relation of ownership of labor by the individual does not exist in the socialist relation of production, then distribution according to work is not the reverse side of this relation.

Thirdly, comrade Sun Hengzhi says: "Why does labor still manifest itself as value in the socialist economy? This is created by the contradiction between the socially-owned labor and the individually-owned labor." We must point out that Marx and Engels hold that the basic contradiction in commodity production under the system of private ownership is a contradiction between private labor and social labor. What private labor and social labor make clear is the social quality of labor. These two concepts are totally different from the relation of ownership of labor. We should not confuse or equate one with the other. However, comrade Sun Hengzhi regards private labor as the ownership of labor by the private individual and regards social labor as ownership of labor by society. Then he regards the contradiction between ownership of labor by the private individual and ownership of labor by society as the basic contradiction in socialist commodity production. I believe that the category of private labor no longer exists in the socialist economy. Thus, we should not regard the basic contradiction in socialist commodity production as a contradiction between private labor and social labor, and also should not regard it as a contradiction between ownership of labor by the private individual and ownership of labor by society.

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GENERAL ECONOMIC INFORMATION

EXPENSES FOR TRAINING SKILLED LABORERS IN SOCIALIST SOCIETY DISCUSSED

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 7, 20 Jul 79 pp 76-78

[Article by Gu Kewu [0657 0344 2976]: "On the Deduction of Social Expenses for Training Skilled Laborers--Also a Discussion With Comrade Xiao Zhuoji [5135 3504 1015]"]

[Text] In exploring in depth the question of implementing the principle of distribution according to work in the socialist society, the question of how to deduct the social expenses for training people who are engaged in compound labor is also brought forth.

The theory concerning simple labor and compound labor is a component part of Marx's theory of labor value. Marx first of all demonstrates that the value of commodities is the crystallization of abstract human labor. He further demonstrates what the units for calculating abstract human labor are and explains the quantitative relation between simple labor and compound labor. In the first chapter of volume 1 of "Das Kapital," Marx writes: "The value of any commodity represents human labor unqualified, represents generalized human labor.... It is the expenditure of simple labor power, such as, on the average, the ordinary man, without any special development of faculty, is equipped with in his bodily organism. SIMPLE AVERAGE LABOR doubtless varies in character as between one country and another, and as between one cultural epoch and another; but in any given community it is a constant. Skilled labor counts only as INTENSIFIED, or rather MULTIPLIED, simple labor, so that a small quantity of skilled labor is equal to a larger quantity of simple labor. Experience shows that skilled labor can always be reduced in this way to the terms of simple labor. No matter that a commodity be the product of the most highly skilled labor, its value can be equated with that of the product of simple labor, so that it represents merely a definite amount of simple labor."¹

Marx makes an important footnote to the above passage: "The reader will be good enough to note that we are not here discussing wages, or the value which the worker receives for a day's labor, but the commodity value into which his day's labor is incorporated."² Here, he points out to us that, when we explain why, in the capitalist society, the skilled laborers receive

higher wages than the unskilled laborers, we should not cite the distinction between compound labor and simple labor in terms of the production of value. What is the reason for the difference in working-day wages between the skilled laborers and the unskilled laborers in the capitalist society? Marx points out only further on that it is created by the difference in the value of labor power; since the formation of skilled labor power requires more training expenses and greater effort, therefore the value of its labor power is higher than the value of the unskilled labor power.

In the socialist society, although the skilled laborers also receive higher wages than the unskilled laborers, yet the reason is opposite to that under the capitalist condition. In the socialist society, labor power is no longer a commodity and the wages of the workers are not the price of labor power but are the payment for labor to the laborers. In the socialist society, the difference in the wages between the skilled laborers and the unskilled laborers is not a difference between the production of labor power and the expenses in reproduction, but is a difference in the subject of labor within a unit of time (that is, the difference in the values which they create). As for the basis of the payment for labor to the laborers under socialism, Marx does not discuss it in detail in "Des Kapital," but gives a clear answer in "Critique of the Gotha Programme." This is the distribution according to work.

In "Critique of the Gotha Programme," Marx discusses in detail how, in the socialist society, before implementing distribution according to work of the individual means of consumption among the laborers, it is necessary to deduct from the total social product a portion of the means of production which has been expended (that is, the portion of transformed value); and how it is necessary to deduct from the newly-created value a portion to be used as social funds. Then, the remaining newly-created value will be used in the distribution according to work among the laborers; "the individual producer receives back from society--after the deductions have been made--exactly what he gives to it." In the socialist society, the skilled laborers can contribute in a unit of time twice the labor of the unskilled laborers. But why are they able to achieve that? This is because they embrace the ability for skilled labor. And the formation of this higher labor ability is inseparable from the training which the society provides for them. Thus, in "Anti-Duhring," Engels puts forth the question of the deduction of expenses for training skilled laborers. He says: "In a society of private producers, private individuals or their families pay the costs of training the skilled worker; hence the higher price paid for trained labor power also comes first of all to private individuals...In a socialistically organized society, these costs are borne by society, and to it therefore belong also the fruits, the greater values produced by skilled labor."³

This principle which Engels puts forth is more easily understood by us. However, how should deduction be implemented, that is to say, what should be the ratio of deduction from the labor contribution of the skilled laborer? In making a concrete proposal, our understanding has not been unanimous. Not long ago, comrade Xiao Zhuozi published an article entitled "Equal Labor

and Equal Distribution of Products are the Important Principles in the Implementation of Individual Material Gains."⁴ That article holds that "In order to transfer to the society the relatively greater value created through compound labor, the deduction made for the social funds from laborers of different degrees of skill must be different. The higher the skill, the greater the proportion of deduction. And vice versa. Let us assume that there are in society three categories of laborers of varying skills. Category A creates in one unit of time a social value of 12 yuan, category B creates in one unit of time a social value of 10 yuan, and category C creates in one unit of time a social value of 8 yuan. Here, category C is simple labor and should be used as the basis. If the proportion of deduction for social funds from category C is 25 percent, then the proportion of deduction from category B is 40 percent, and the proportion of deduction from category A is 50 percent."

We can draw up the following chart from the passage of comrade Xiao Zhuozi:

Laborer's Category	Newly-Created Value	Proportion of Social Deduction	Payment for Labor to Laborer
A	12 Yuan	50%	6 Yuan
B	10 Yuan	50%	6 Yuan
C	8 Yuan	25%	6 Yuan

What shocks us is: If we carry out deduction for social funds according to the above scheme of comrade Xiao Zhuozi, the result will be, that the unskilled laborers will receive the same payment for labor as the skilled laborers. This will violate the principle of distribution according to work.

In discussing his scheme, comrade Xiao Zhuozi also quotes the above words of Engels from "Anti-Duhring." It is on that basis that he proposes his scheme. Seemingly comrade Xiao Zhuozi thinks that: Engels says that the socialist society should deduct from the fruits of labor of the skilled laborer all the training expenses which society pays to him. These social training expenses are the greater values created by skilled labor. Such an idea seems literally to conform to Engels' opinion. Truly, this statement of Engels does easily arouse misunderstanding. However, I believe we should not take it literally, but should completely and scientifically understand Engels' suggestion in this respect.

Marxist political economy tells us that the production of labor power is totally different from expenses in reproduction and the values created by labor power. If we compare their magnitudes of labor, the latter will be

greater than the former. But what will the condition be if the relatively greater value which the skilled laborer creates within a unit of time is only equivalent to the expenses that have to be increased in the training of the skilled laborer? In the capitalist society, the relatively greater value which the skilled laborer creates is equivalent to the relatively higher value of skilled labor power. In this way, the capitalist generally will not employ skilled labor, because it cannot offer more surplus value for the capitalist. In the socialist society, if the skilled labor cannot offer more surplus labor to society, then it makes no difference whether or not society trains skilled laborers. Not only so, since society has already paid for a large sum of training expenses in advance, this will even hinder the development of other causes.

Both objective reality and the principle of political economy explain the fact that the relatively greater value which the skilled laborer creates is a magnitude of value that is greater than the training expenses. Thus it is inappropriate for comrade Xiao Zhuozi to establish his scheme on this basis of two equivalents.

Under the socialist society, should the relatively greater value which the skilled laborer creates be owned by society? I feel that we should not draw such a conclusion from the above words of Engels. In "Critique of the Gotha Programme," Marx has already long ago discussed adequately the idea that the socialist principle of distribution of individual means of consumption is distribution according to work. That is to say, that it is necessary to recognize the difference in labor among the laborers and to use this as the basis of distributing quantitatively-different individual means of consumption to individual laborers correspondingly. We all know that Engels entirely approves of the above advocacy of Marx.

The above words of Engels come from Chapter Six of Part Two of "Anti-Duhring." The theme of this chapter nicely defends Marx's theory concerning simple labor and compound labor, criticizes Duhring's denial of the difference between simple labor and compound labor in the production of value and exposes Duhring's propagation of the principle of absolute egalitarianism in distribution. If we interpret Engels' advocacy of deduction of social expenses for training skilled laborers in the socialist society as an attempt to carry out distribution of absolute egalitarianism between skilled laborers and unskilled laborers, then we are obviously violating the consistent thinking of Engels.

FOOTNOTES

¹ Marx, "Des Kapital," Vol 1, People's Publishing House, 1975 edition, pp 57-58.

² Ibid., p 58 footnote.

³ Engels, "Anti-Duhring," "Selected Works of Marx and Engels," Vol 3, p 241.

⁴ See "JINGJI YANJIU," Issue No 10, 1978.

FUELS AND POWER

SUGGESTIONS OFFERED FOR REGULATION OF POWER SUPPLY

Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 6, 25 Jun 79 p 61

[Article by Liu Xia [2692 7209]: "How To Make a Rational Resolution of the Problem on Peak Power Consumption?"]

[Text] At present, with the reformation of the management of power supply, a technical and economic problem, closely related with the control of power enterprises, deserves our careful study for its resolution. The problem is: What should be the best daytime peak load? Which is more advantageous: to shift the working hours of millions of workers to the late night, or to install the peak-load regulation machines?

The so-called shortage of power supply does not mean the shortage of power supply throughout the 24 hours of day and night, but means the tension during the peak hours in the night when lights and TV sets are switched on and the consumption is at its maximum. In most foreign countries, they have installed peak-load machines to cope with this tension during the peak hours. It means that a certain amount of reserve equipment has been installed for operation during the peak hours, and it is not allowed to suspend power supply at any time. In many countries, it is stipulated that when the suspension of power supply has exceeded 1 hour in a year, the power supplying department concerned must pay fines. Therefore, in all developed countries, the power departments have given their guarantee not to stop power supply under any circumstances, and their daytime load is generally only 50 to 60 percent. From this, it may be seen that in all industrially developed countries abroad, the power generation equipment in reserve is quite abundant. According to our practical experience, from the daytime load one can tell the conditions of power supply. In many years, the Beijing-Tianjin-Tangshan power network adopted the methods of regulating the power load, supplying power for 4 days in a week, avoiding the peak load by shifting power supply to factories to the late night or by shutting off power supply temporarily, and supplying power with an interruption of 2 hours during the hours of power shortage, to resolve the problem of peak power supply. Sometimes the load went up as high as 97 percent. Throughout 1977, the average load was 93 percent. These methods did not meet with the requirement of technical economy. The network has made its calculation that one unit of power used

for production could produce about 3 to 4 yuan of output value, 100 million units of power would be equal to 300 to 400 million yuan of output value. It is apparent that any suspension of power supply will bring about very great damage and loss to the national economy. However, is it economically advantageous to regulate power load by changing the operation of those factories which run on one shift to the late night in order to raise the load? We should calculate and make a comparison from the gain and loss of the whole national economy: According to actual information, most of those factories which run on one shift are medium-sized or small enterprises with many workers but consuming not much power. Most of those consuming 100 kilowatts are neighborhood factories with 200 to 300 people. If 10,000 kilowatts of power is suspended, then 20,000 to 30,000 people must postpone their shift till late night. The cost of a dinner for each person is 30 cents. For one late shift, the state will pay nearly 10,000 yuan of additional expenditure for their dinner. Moreover, the department of communications must send out cars in the night to carry the workers from their homes to the factory and from the factory back to their homes. Even the baby-sitters of the nursery must come to work on the night shift. There will be so many additional expenses and troubles. If an additional generator of 10,000 kilowatts is installed, there will be no increase in the consumption of linear energy, but a great deal of extravagance of the late shift can be reduced. At the same time, with a proper amount of equipment in reserve, it may ensure the normal maintenance and repair of the power equipment, so that the daytime load can be maintained at 75 to 80 percent. According to the actual conditions in our country, it should be considered to be more rational. The method of excessive power generation, as practiced in the past in 1958 and 1970, has been proved not scientific through practice. As a matter of fact, it was like killing the hen to get the egg. The power departments and the planning departments should carefully sum up the practical experience of power management in the past 30 years. They should first take into consideration the basic fact that at present our country is still poor and has very limited means, and that we must carry out the four modernizations with not only greater and faster but also better and more economical results. Then, they should conscientiously and meticulously make comparisons in technology and economy, solve properly the current problem of power construction by installing the peak-load regulation devices, and maintain the power load at a rational level. This should be one of the topics on the reformation of our power enterprise management.

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CAPITAL CONSTRUCTION

BACKWARD STATE OF SHANGHAI URBAN CONSTRUCTION ANALYZED

Strict Planning Needed

Shanghai JIEFANG RIBAO in Chinese 3 Aug 79 p 1

[Article by the Daily Commentator: "To Do Urban Construction Well While the System Is Being Reorganized"]

[Text] A considerable amount of work related to urban construction in Shanghai City has been done, and a definite result has been achieved in the past 2 years or so, since the "gang of four" was crushed. However, the consequences of interference and destruction wrought by Lin Biao and the "gang of four" are far from being eliminated. Many problems still exist: the debts and gaps are still quite large and thus significantly affect the development of productive construction and improvement of the people's lives. The Party Central Committee and the State Council have decided to concentrate energy on reorganization of the national economy for the next 3 years starting this year. The urban construction, which is one of the important components of the national economy, must quicken its pace during this 3-year reorganization period.

Strengthening urban construction is a practical need of the Shanghai Municipality. There is a severe shortage of housing for workers in Shanghai. There are several tens of thousands of residents who are eagerly waiting for a living arrangement or are in need of improved living conditions. The city streets are crooked and narrow and so the traffic capacity is small. Some of the major streets where the traffic is concentrated often become blocked. The city lacks a complete sewer system. The sewer systems in two-thirds of the city are unhealthful. Some areas have no sewer systems at all and thus suffer from flooding every time there is a rain storm. The environmental pollution is also becoming more and more critical each day. A large quantity of industrial and domestic waste water is discharged directly into the rivers without treatment thus polluting the water source and downgrading the water quality. The air pollution and the noise pollution are also quite critical, affecting the physical welfare of the people and the masses.

Besides these, there is a shortage of facilities for culture, education and health; a shortage of commercial service grid points; and the supply of gas and water does not always correspond to the demand, resulting in a great deal of inconvenience for the people. The problems have reached such a state that a solution cannot be delayed any more.

Strengthening urban construction is also a demand made by the national economic plan for a proportioned growth. Urban construction is one of the important components of the national economy, and its development must have proper plan and proportion corresponding to the development of production construction. This is an objective economic law which cannot tolerate contradiction. Just as was suggested by Comrade Mao Zedong 50 years ago, urban construction should not only pay attention to the "bones" but also to the "flesh." After the plants are built and machinery and equipment are installed, if construction of the city administration and various service type installations is not carried out correspondingly, production and life cannot harmonize. Many years' practice has also proven that urban housing construction, water supply, sewer, road, public transportation, these city engineering projects and public affairs are not only part of the necessary conditions for production but are also necessary factors of life. If not provided the masses will suffer and the production will be affected. One of the most important reasons why the Shanghai urban construction is troubled by so many problems is that it did not handle well the proportion of "bone" and "flesh." During the First Five-Year Plan, the investment Shanghai made on its urban construction was 11.4 percent of the total investment it made on the basic construction, but the proportion decreased thereafter. During the Second Five-Year Plan, it was down to 8.8 percent; during the Third Five-Year Plan, 8 percent; and during the Fourth Five-Year Plan it had further dropped to 5 percent. During the period when the "gang of four" was rampant, even the fund that was earmarked for urban maintenance was used for other purposes. The total amount of funds thus percolated over the 10-year period amounted to as much as 1 billion yen. Unless a decisive measure is taken today to increase the proportion of investment funds put into urban construction and to speed up the pace of urban construction, the debts for urban construction will grow bigger and bigger, while the gap will become wider and wider. This state of affairs would certainly affect the planned and proportionate growth of the entire national economy, and also affect the progress of the four modernizations construction project.

If the urban construction is so urgent and so important, then why is its development so slow; why is it not on the priority list; why is its income insufficient to cover its expenses, so that it has to dip into its old capital in order to survive? The main reason seems to lie in the fact that the evil inherited from the extreme leftist roader--the "gang of four"--has not yet been exterminated, and also in the onesided emphasis of "production before life." As a result, urban construction is placed in a position where seemingly it does not matter whether it is done or not. To be sure, under the normal conditions "production before life" is correct in principle, because urban construction and improvement of people's

lives can only be realized step-by-step on the foundation of improved production. However, if this principle alone is emphasized onesidedly, it is bound to go wrong and the course of events will not correspond to the wishes. As a result, not only people's lives cannot be improved, production cannot be developed rapidly either. The ever-increasing severity of pollution in Shanghai, the worsening contradiction between the residents and the factories, which upsets people's normal life and the factory's production order, are these not the products of this onesided viewpoint? Some comrades consider that by developing production construction, profit can be made and capital can be accumulated, but urban construction brings in very little profit. In fact, the importance of urban construction is quite obvious. The necessities of people's lives such as clothing, food, shelter, and transportation; be it dwelling house, gas, water, public transportation, or commercial grid point; which one is not closely related to urban construction? Speaking of production, there are a number of factories whose buildings have been built and equipment installed, yet production cannot begin because there is no gas supply or because there are problems with water supply and sewer. The loss incurred as a result of no production exceeds several hundred million yuan each year. As to the loss incurred as a result of reduced production caused by the inadequate transportation capacity of the inferior roads is even more difficult to estimate. Furthermore, if we are to realize modernization of industry, agriculture, defense, and scientific technology, we will be more in need of modernized urban construction to go hand-in-hand with the four modernizations. How can we realize the "four modernizations" with a city whose planning is irrational, measures incomplete, technology backward, and management unscientific? Urban construction must be carried out with a mighty effort. We must give sufficient assurance to the arrangement of plans, honest investment, material, equipment, and labor force, in order to be able to alter the present backward state of Shanghai urban construction.

To carry out Shanghai urban construction well, a general plan for urban construction must be drawn up first. Without a general plan for urban construction to follow, the result of each one does his own thing would be like a situation described in the saying: "add water if there is too much noodle" and "add noodle if there is too much water." The disposition of Shanghai Municipality can only become more confused, and its contradictions more outstanding. The most urgent need today is to organize forces to carry out planning for the urban construction and to provide proof for various urban construction and management items. Industry is the "dragon head" of a city, and so the general plan for the city must be formulated in accordance with its industrial reorganization plan. The plan must be structured in such a way that every construction can fully serve the industrial production by providing the working people with convenient conditions for working and living. Shanghai is a big city; its population and buildings are already densely packed. The general urban plan must embody the requirements concerning strict control of the scale of the city districts and active development of the satellite industrial villages and towns. The planner must eye the distant future while firmly standing on today; he has to think not only of a long-range plan but also

of a short-range plan. As soon as the urban construction plan is formulated, there will be a common goal for every one concerned. A state of anarchism can thus be avoided during its development period, and urban construction would then progress in a planned and orderly manner.

Shanghai urban construction must also grasp the central point. Debts and gaps have grown over the years; they cannot be expected to be dissolved completely overnight. Therefore, it must seek out the central point and fight the battle of extermination based on the financial and material power which the nation can provide. According to the present state of Shanghai, worker's housing, highway transportation, urban sewer system; facilities for culture, education and health; and the environmental protection, are the priority construction items. If no distinctions were made between heavy and light, urgent and nonurgent, primary and secondary, or priority and nonpriority, and if everything were carried out all at once, the result would be that none could be carried out, as a result of dispersed power and mutual interference. Needless to say that seeking out a central point does not mean that the ordinary is not going to be taken care of at the same time.

In order to do the Shanghai urban construction well, various rules and regulations concerning urban construction and management must be strictly upheld and soundly executed. While the "gang of four" was rampant, many of the rules and regulations of urban construction and management were destroyed, causing great confusion in the urban area; many of its residual symptoms still exist today. These inherited evils must be completely exterminated, and various rules and regulations of urban construction and management which were found to be effective since the time of liberation must be restored and made wholesome. At the same time, new rules and regulations must be formulated according to the new circumstances, so that urban construction and management have rules to follow and regulations to lean on, thus enabling a gradual entry onto the path of normalcy.

The number of newly constructed engineering projects of the municipal administration is necessarily smaller compared with the number of existing installations. Therefore, it is very important to fully utilize the latent power of the existing installations. The existing installations must be managed well, maintained well, and transformed well in order to fully develop their effectiveness. Urban construction and management works are involved with a broad spectrum of affairs having a strong tie with the policy matters. As such, it requires a strong party leadership for mobilization, and relies heavily on cooperation of various areas for success. Every occupation, cadres and masses, must unite and combine forces and, after several years' effort, we are confident that we shall be able to build Shanghai into a new Socialist City which can satisfy the demand of "the Four Modernizations."

Planning/Construction Bureau Established

Shanghai JIEFANG RIBAO in Chinese 3 Aug 79 p 1

[Article: "Strengthening Urban Construction To Meet the Demand of the Four Modernizations; Shanghai Establishes Its Urban Planning/Construction Bureau"]

[Text] To meet the need of socialist modernization construction and to carry out well the transformation and construction work of Shanghai municipality systematically with proper planning, establishment of the Shanghai Municipal Urban Planning/Construction Bureau has been approved by the Shanghai Municipal Commission, and the bureau has already begun to function.

Since this nation was established, transformation and construction of Shanghai municipality have achieved significant results, and the appearance of the city has changed profoundly. While the old city was being reorganized and transformed, six industrial areas in the suburbs and six other industrial areas in the nearby villages and towns have been constructed one after another. However, as a result of interference and destruction brought about by Lin Biao and the "gang of four" various phases of Shanghai municipal construction works received a severe blow, creating a mountain of problems for urban construction and management. The citizens have strongly demanded reorganization, transformation and construction work for Shanghai municipality. The Shanghai Urban Planning/Construction Bureau was established just to satisfy this demand. The bureau is currently working on an overall plan for Shanghai municipality and a detailed plan for a construction area which is to be carried out in the near future. It is strengthening the urban construction control mechanism at each level of the municipality and drawing up rules and regulations related to the construction control. With the cooperation of the working class, the citizens and masses of the entire city, the bureau shall, step-by-step, do well various jobs that need to be done, including reorganization, planning, construction and managing, in order to satisfy the demand of the Four Modernizations.

Drainage Road Work

Shanghai JIEFANG RIBAO in Chinese 3 Aug 79 p 1

[Article by Wu Xianglin [0702 4382 7207]: "The Urban Construction Department Conscientiously Implements the Eight-Letter Guideline; Speedily Constructing Sewer Systems and Positively Improving the City Streets"]

[Text] Construction of the city sewer systems is being done actively today, and works related to laying of sewer pipes and installation of pump stations will soon be finished in some of the areas where accumulation of water causes serious problems, such as Guangxin Road, Zhoujiazui Road and Wusong. The Urban Construction Department shall speedily construct sewer systems and improve the city streets in accordance with the

eight-letter guideline for reorganization of the national economy which was published by the central government,

The pace of housing construction has quickened in recent years. The original worker's new villages have been expanded continuously, and many other new worker's villages are being added. However, as a result of some inappropriate measures administered by the city, the sewer problems in some areas are getting worse and worse. For example, there were no sewer systems at all originally in the following new villages: Xunyang, Xinan, Shifeng, Tielu, Shiquan, Mianfang and Guangxin in the Putuo Ward; Kongjiang and Changbai in the Yangpu Ward; and Haibin in Wusong. The raw sewage was discharged directly into the river or ocean. But, in some of the rivers the discharge pipes which were clogged up by silt created discharge problems. Every time it rained, accumulation of water created problems and thus affected the people's lives. Since the beginning of this year, the Urban Construction Department has concentrated manpower as well as material power on the sewer system construction project. As a result, the sewer system construction in the five areas including Guangming Road, Zhoujiazui Road, Wuchuan Road, Dapasi and Wusong has progressed rapidly. Today, the civil engineering construction works in these areas have basically been completed, and the equipment is being installed. At the same time, the Urban Construction Department is improving those unhealthy sewer systems with relatively small water accumulation problems by either laying new sewer pipes or repairing the old sewer pipes. At 38 points along various streets, including Danshui Road, Kangding Road, Yongchang Road and Pudong Boulevard, more than 2,600 meters of sewer pipes of various sizes have been layed, which shall have a significant impact on the improvement of the water accumulation problems of these areas.

The Urban Construction Department also attaches importance to the improvement of the city streets. It is working diligently on maintenance of the existing streets to keep them flat and without holes, and to raise the percentage of streets in good repair. In the first half of this year, it has repaired 114 streets of various sizes, amounting to a total area of 101,500 square meters. Of these, more than 30 works were related to the major trunk lines and regional trunk lines. For example, Xizhang North Road, which is one of the city's north-south major trunk lines leading to the North Railway Station, has not had its concrete surface overhauled for more than 20 years. It was completely overhauled this time. The road bed was strengthened and the road surface was rebuilt. Zhongshan Loop, more than 20 kilometers long, which encircles the city, has its slow moving lane completely overhauled. The Central Boulevard of the people's square now is being laid anew.

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